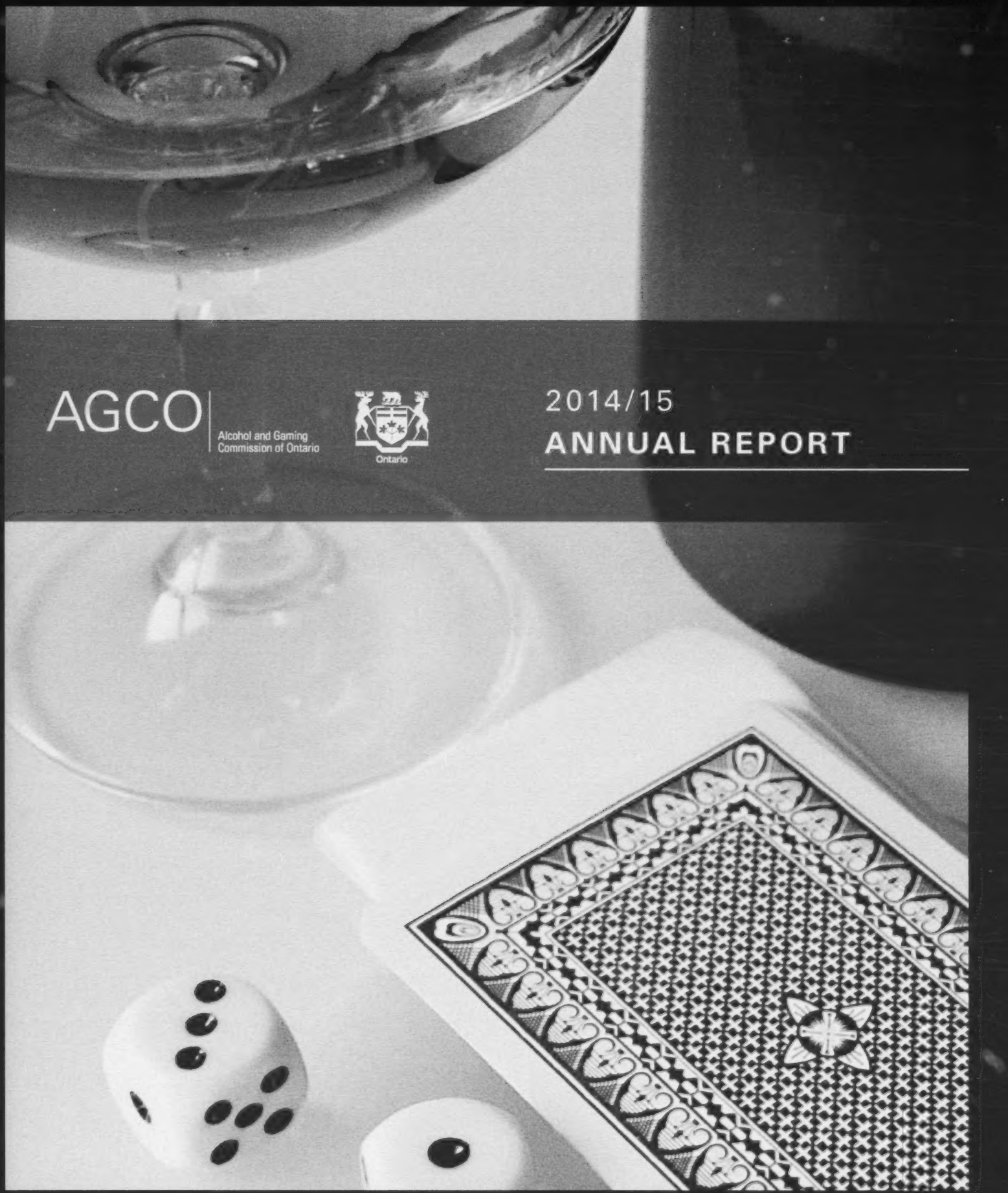


AGCO | Alcohol and Gaming Commission of Ontario

Ontario

2014/15 ANNUAL REPORT

AGCO | Alcohol and Gaming Commission of Ontario

Alcohol and Gaming Commission of Ontario
90 Sheppard Avenue East
Suite 200
Toronto, ON M2N 0A4

Commission des alcools et des jeux de l'Ontario
90, avenue Sheppard Est
Bureau 200
Toronto, ON M2N 0A4

Ontario

Alcohol and Gaming Commission of Ontario
2014/2015 Annual Report

Memorandum to: The Honourable Madeleine Meilleur
Attorney General
Ministry of the Attorney General

From: Eleanor Meslin
Chair
Alcohol and Gaming Commission of Ontario

I am pleased to present the Alcohol and Gaming Commission of Ontario's Annual Report covering the period April 1, 2014 to March 31, 2015.

Eleanor Meslin,
Chair

VISION

A leader in the alcohol and gaming sectors through effective regulation and services that are fair, responsive and in the broader public interest.

MANDATE

To regulate the alcohol and gaming sectors in accordance with the principles of honesty and integrity, and in the public interest.

MISSION

Committed to conducting business in a manner that will:

- Develop, implement and enforce fair policies and procedures;
- Establish a framework of critical regulatory controls in the public interest that are sensitive to the economic viability of the alcohol and gaming industries;
- Create a supportive work environment that respects and values AGCO staff contributions and provides them with opportunities for growth and professional achievement;
- Be customer focused in the way we respond to and manage customer and stakeholder needs; and
- Educate customers and stakeholders, and develop partnerships.

Contents

7 Chair's Message
8 Chief Executive Officer's Message

OVERVIEW & KEY ACTIVITIES
11 Overview
12 Key Activities
15 Board of Directors
16 Corporate Organization
17 Strategic Direction
21 Government Initiatives and Priorities
23 Government Oversight and Agency Accountability
24 Performance Measures
25 Internal Operations and Fiscal Environment
26 Operating Budget – 2014/15 Fiscal Year Revenue and Expenditures

CORPORATE ACTIVITIES AND PROGRAMS
28 Information Technology
28 Corporate Communications
31 Human Resources

REGULATING THE ALCOHOL AND GAMING SECTORS
36 Regulation of the Alcohol Sector
37 Regulation of the Gaming Sector

OPERATIONAL PERFORMANCE
41 Licensing and Registration
44 Electronic Gaming Equipment and System Approvals
48 Shifting AGCO's Regulatory Strategy
48 Alcohol
52 Gaming
54 OLG Lotteries
55 Charitable Gaming
56 iGaming
56 Electronic Raffles
56 Hearings, Appeals, Dispute Resolution and Settlements

APPENDIX I
59 Legal Framework - Alcohol

APPENDIX II
63 Legal Framework - Gaming

Figures and Tables

OVERVIEW & KEY ACTIVITIES

14 **FIGURE 1** AGCO LICENSEES AND REGISTRANTS
16 **FIGURE 2** ORGANIZATIONAL STRUCTURE OF THE AGCO
17 **FIGURE 3** STRATEGIC GOALS AND PLANNING THEMES
24 **TABLE 1** AGCO PERFORMANCE MEASURES 2014-15
26 **TABLE 2** 2014/15 FISCAL YEAR REVENUE AND EXPENDITURES

OPERATIONAL PERFORMANCE

41 **TABLE 3** TOTAL NUMBER OF LIQUOR LICENCES AND SPECIAL OCCASION PERMITS
42 **TABLE 4** NUMBER OF GAMING REGISTRATIONS ISSUED
43 **TABLE 5** LOTTERY LICENCES ISSUED
46 **TABLE 6** NUMBER OF SLOT MACHINES AND TABLE GAMES IN GAMING FACILITIES
47 **TABLE 7** EBINGO SITES CONDUCTED AND MANAGED BY OLG
49 **TABLE 8** NOTICES OF PROPOSAL AND ORDERS OF MONETARY PENALTY (ALCOHOL)
49 **TABLE 9** ALCOHOL ADVERTISING COMPLAINTS REVIEWED
52 **TABLE 10** ORDERS OF MONETARY PENALTY AND NOTICES OF PROPOSED ORDER ISSUED TO REGISTRANTS IN CASINOS AND SLOT MACHINE FACILITIES
54 **TABLE 11** ORDERS OF MONETARY PENALTY AND NOTICES OF PROPOSED ORDER ISSUED TO SELLERS OF OLG LOTTERY PRODUCTS
55 **TABLE 12** ORDERS OF MONETARY PENALTY AND NOTICES OF PROPOSED ORDER ISSUED TO CHARITABLE GAMING REGISTRANTS
57 **TABLE 13** ALCOHOL-RELATED SETTLEMENTS WITHOUT A HEARING
57 **TABLE 14** ALCOHOL-RELATED PUBLIC MEETING CONFERENCE CALLS
57 **TABLE 15** GAMING-RELATED SETTLEMENTS WITHOUT A HEARING

APPENDIX II

66 **FIGURE 4** ONTARIO GAMING RELATIONSHIPS

Chair's Message

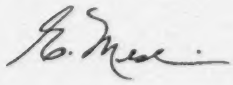
It is with pleasure that I present the 2014/15 Annual Report on behalf of the Alcohol and Gaming Commission of Ontario (AGCO).

I am pleased to report that we made significant progress over the past year, moving forward with our five-year Strategic Plan, while at the same time continuing to support a number of major government initiatives and priorities such as expanding our mandate to include the regulation of horse racing and the sale of beer and wine in grocery stores. Our transformation agenda, including our goal of becoming a top regulator and a top employer, are crucial elements of this overall Strategic Plan. The Board and staff of the AGCO remain engaged and committed to seeing our organization deliver on these commitments, and we are pleased with the progress made in meeting these goals.

Aligning our strategic goals with those of our government partners is of paramount importance and continues to be a primary focus of our work. The AGCO strives to ensure that our services are delivered in an accountable and efficient manner, delivering value for money. Policy development and decision making are delivered in an evidence-based manner and we continue to evolve as an agency that regulates in a risk-based, outcomes-based and compliance-focused manner.

Furthermore, I am pleased to report that the AGCO has not only made great strides as a regulator, but also as an employer. Through ongoing staff engagement, our organization has achieved high levels of employee satisfaction, a key factor in our goal of being recognized as a top public sector employer. A commitment to providing training and professional development for our employees to help them excel and meet the challenges of working within today's public service is a key priority. Staff routinely meets these challenges, and the Board and I are proud to work with such dedicated individuals.

Albert Einstein, the great theoretical physicist and thinker, once said: "To raise new questions, new possibilities to regard old problems from a new angle, requires creative imagination and marks real advance in science." I believe that the same can be said for the work that the AGCO and its people are doing. Their ability to face challenges and embrace change in an innovative way is what will make the AGCO the top regulator and top employer that it strives to be. I congratulate the leadership and staff of the AGCO on another successful year and, on behalf of the Board of Directors, look forward to seeing what new heights they reach as we move forward in providing fair and responsive services while regulating the alcohol and gaming industries with the principles of honesty, integrity and in the public interest.



Eleanor Meslin
Chair

Chief Executive Officer's Message

"Learning and innovation go hand in hand. The arrogance of success is to think that what you did yesterday will be sufficient for tomorrow." – **WILLIAM POLLARD**

Nineteenth century English writer and clergyman William Pollard understood that in order to innovate you must continuously keep learning and changing how you do things. This sums up many of the activities that the AGCO has been focused on over the past year.

While our mandate continues to expand, with new areas to regulate such as horse racing and beer and wine in grocery stores, we are also continuing to see that we have to adapt and grow in order to continue to be successful and to reach our aspirational goal of becoming a top regulator.

Over the past year, we have continued to focus on a number of major changes to transform the AGCO into a more modern and efficient regulator. For instance, work continued on the Liquor Modernization project, and a number of initial policy reforms have been implemented that create a smarter, faster and more focused regulatory environment, making it less burdensome for our stakeholders to operate in the province. More reforms will be announced as a result of the extensive consultation process that the Commission undertook as a key part of this project.

The AGCO also continues to work with OLG as it moves forward in its efforts to modernize and transform lottery and gaming in Ontario. A major milestone was reached with the launch of the OLG's internet gaming platform in December 2014. This introduced a whole new area of focus and regulation for the AGCO and, as such, new opportunities for the AGCO to position itself as a leader in this area through a strong focus on system security and responsible gambling

The past year also saw the launch of the OLG's 50/50 electronic raffle program at professional sports events in Toronto and Ottawa. We played a significant role in supporting this important initiative by developing and putting in place a new regulatory framework to ensure the honesty and integrity of the raffles which ultimately support charitable organizations.

Corporately, a large number of our staff spent much of the year working to develop a new Regulatory Assurance Solution (RAS) for the AGCO. RAS is the cornerstone of AGCO's transformation agenda and is intended to enable electronic service delivery so that stakeholders can more easily provide information to, and receive information from, the AGCO. I am very pleased to say that we have completed a comprehensive procurement process and now have a vendor on board to help us finalize our plans and business requirements and move into the implementation phase of this significant undertaking.

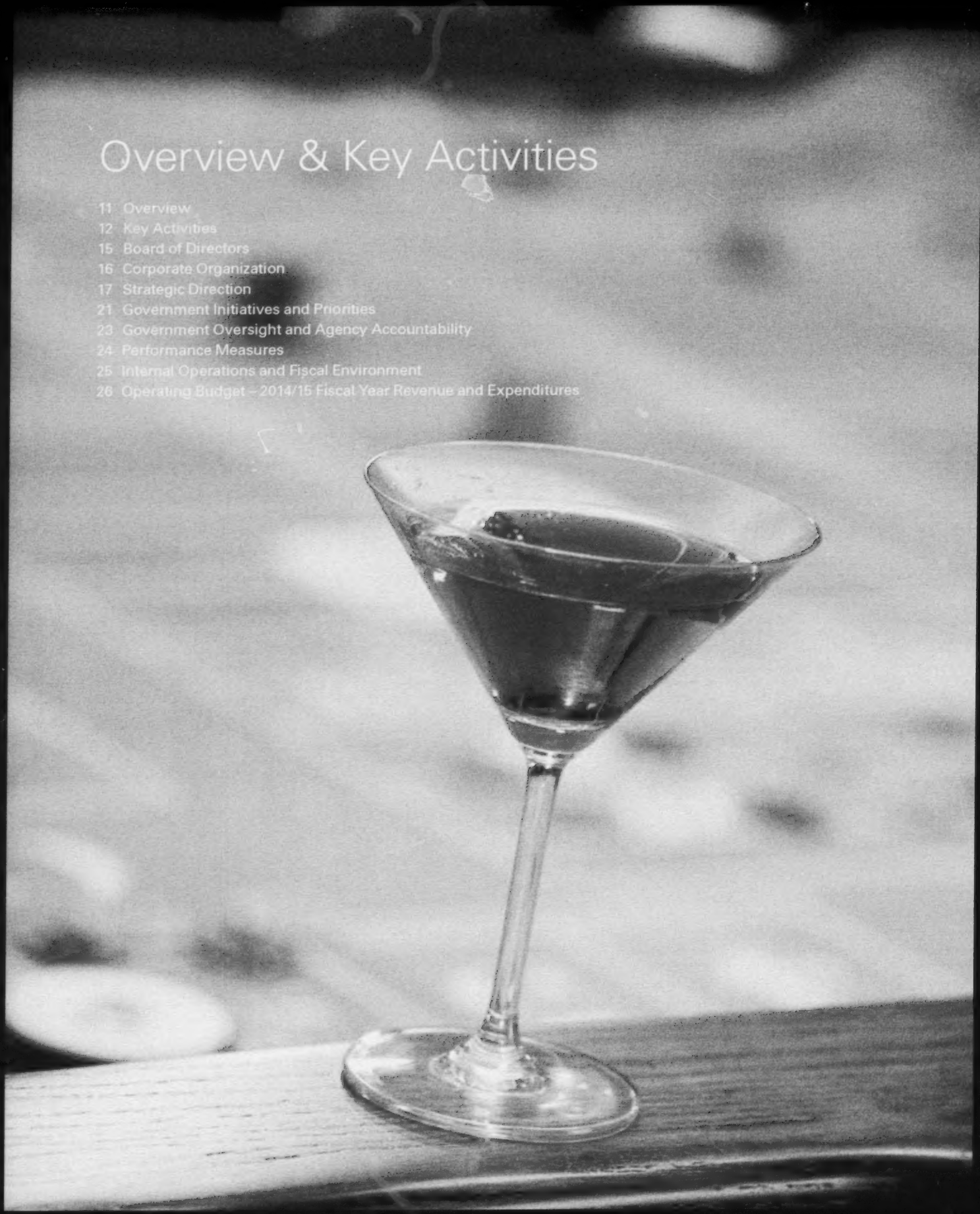
Keeping a finger on the pulse of what employees are thinking and feeling is essential for any organization that wants to grow and thrive. That's why the AGCO conducted a workforce engagement survey and the response from staff has been very positive. The results of the survey were communicated extensively throughout the organization and I am pleased to report that, as a whole, our employees are engaged and enthusiastic about the work they do. That is not to say we will be resting on our laurels, but I think the results show we are definitely starting from and building on a solid foundation.

There is much more to be done. But I believe that management and staff can be proud of their accomplishments and the direction we are heading as an agency. I look forward to continuing on this path of success going forward.

Jean Major
Chief Executive Officer

Overview & Key Activities

11 Overview
12 Key Activities
15 Board of Directors
16 Corporate Organization
17 Strategic Direction
21 Government Initiatives and Priorities
23 Government Oversight and Agency Accountability
24 Performance Measures
25 Internal Operations and Fiscal Environment
26 Operating Budget – 2014/15 Fiscal Year Revenue and Expenditures



OVERVIEW

The AGCO is responsible for administering and enforcing the rules set by the Ontario government in order to regulate the following activities:

- The sale and service of beverage alcohol;
- Lotteries operated by the Ontario Lottery Gaming Corporation (OLG) on behalf of the government of Ontario;
- Gaming conducted and managed by the OLG, including casinos, slot machine facilities and internet gaming;
- Charitable bingo halls conducted and managed by OLG; and
- Lottery schemes conducted and managed by charitable, not-for-profit and religious organizations.

The AGCO's main objectives in regulating the sale and service of beverage alcohol are to:

- Ensure that alcohol is sold and served responsibly and in the broader public interest;
- Ensure that residents are provided an opportunity to have their interests considered during the licensing process;
- Permit Ontarians and visitors to the province the opportunity to enjoy alcohol within an economically viable hospitality and tourism sector;
- Promote fairness, equity and a level playing field for the industry through a consistent compliance approach to the regulations; and
- Conduct compliance activities in alignment with the law and the maintenance of public safety.

The AGCO's main objectives in regulating gaming activities in the province are to:

- Ensure that gaming is operated with honesty and integrity, and in the broader public interest;
- Facilitate a competitive and flexible operational environment for Ontario's gaming facilities while maintaining the highest standards of operation and regulation;
- Ensure that all games are, in fact and appearance, fair;
- Maintain public confidence in the integrity of the games;
- Establish a safe and secure environment at all gaming facilities; and
- Protect the assets of the Crown.

The principles which guide the AGCO's activities are prescribed in governing legislation and require the AGCO to exercise its powers and duties in the public interest and in accordance with the principles of honesty, integrity, and social responsibility. In fulfilling its regulatory mandate, the AGCO strives to be transparent in its operations and achieve a fair and appropriate balance among the interests and perspectives of its stakeholders. The AGCO aims to ensure its regulatory activities support the economic viability of the alcohol and gaming industries, while maintaining public safety and confidence in these industries.

Vision
A leader in the alcohol and gaming sectors through effective regulation and services that are fair, responsive and in the broader public interest.

Mandate
To regulate the alcohol and gaming sectors in accordance with the principles of honesty and integrity, and in the public interest.

Mission

The AGCO commits to conducting business in a manner that will:

- Develop, implement and enforce fair policies and procedures
- Establish a framework of critical regulatory controls in the public interest that are sensitive to the economic viability of the alcohol and gaming industries
- Create a supportive work environment that respects and values AGCO staff contributions and provides them with opportunities for growth and professional achievement
- Be customer-focused in the way we respond to and manage customer and stakeholder needs; and
- Educate customers and stakeholders, and develop partnerships

KEY ACTIVITIES

The AGCO is responsible for the administration of the:

- *Liquor Licence Act* (LLA)
- *Wine Content and Labelling Act, 2000*
- *Liquor Control Act* [Section 3(1)b, e, f, g and 3(2)a]
- *Gaming Control Act, 1992* (GCA)
- Lottery Licensing Order-in-Council, 1413/08 (as amended); and
- Part I of the *Alcohol and Gaming Regulation and Public Protection Act, 1996*

The administration of these Acts and the Order-in-Council involves the following core activities:

Regulating the Alcohol and Gaming Sectors

- Licensing and regulating establishments that sell or serve liquor, liquor delivery services, liquor manufacturers and their representatives, representatives of foreign manufacturers, and ferment-on-premise facilities
- Administering the Special Occasion Permit program which is delivered through designated Liquor Control Board of Ontario retail stores
- Authorizing manufacturers' retail stores, which includes on- and off-site winery retail stores, on-site distillery retail stores, on-site brewery retail stores and Brewers Retail Inc. (The Beer Store) stores
- Registering commercial suppliers and gaming employees of charitable gaming events, casinos, slot machine facilities and internet gaming (iGaming)
- Registering suppliers and retailers of OLG lottery products

- Administering, in partnership with municipalities, the regulatory framework governing the issuance of charitable lottery licences (e.g. bingo, raffle and break open ticket events);
- Licensing games of chance at fairs and exhibitions
- Approving rules of play or changes to rules of play for games conducted and managed by OLG; and
- Excluding persons from accessing gaming premises pursuant to the GCA and its regulation

Investigating, Inspecting and Monitoring

- Inspecting and monitoring liquor sales licensed establishments to ensure compliance with the LLA and its regulations
- Inspecting/monitoring casinos, slot machine facilities, charitable gaming events/facilities and retail locations where OLG lottery products are sold for compliance with the GCA and its regulation, licensing and registration requirements;
- Conducting eligibility assessments on individuals and companies seeking registration and licensing under the GCA and LLA
- Providing police presence at casinos and slot machine facilities;
- Developing and implementing the Registrar's Standards for gaming in relation to the conduct, management and operation of gaming sites, lottery schemes or related businesses and services
- Conducting audits of companies registered and licensed under the GCA and LLA;
- Monitoring internal control, surveillance and security systems, and other operational systems for casinos and slot machine facilities for compliance with regulatory requirements
- Testing, approving and monitoring gaming equipment such as slot machines, gaming management systems and iGaming platforms; and
- Investigating insider wins involving lottery retailers/systems managers or lottery equipment suppliers

Adjudication

- Arbitrating disputes between two or more claimants for a lottery ticket prize

Social Responsibility: Evolving Social Attitudes

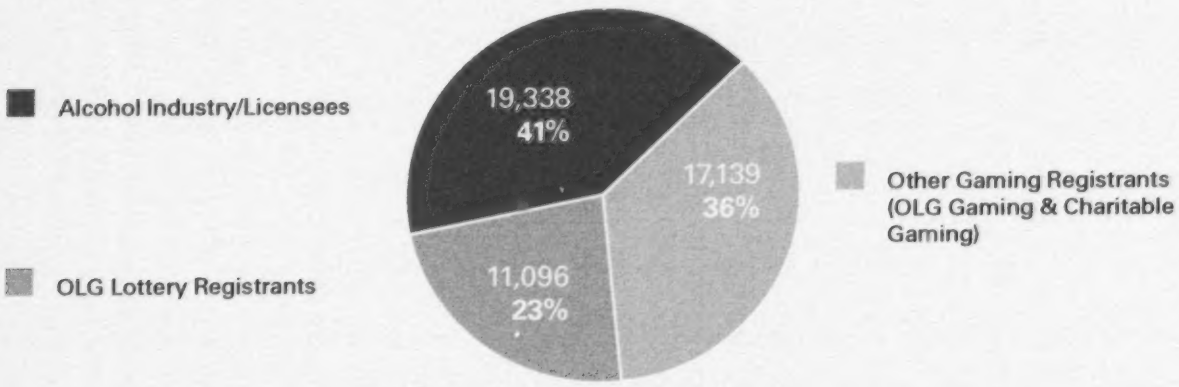
With a focus on continuing to modernize as a Regulator and to better reflect both the maturity of the industries and evolving societal views, the AGCO continues to refine its role in the promotion of social responsibility in the alcohol and gaming sectors. Greater public confidence in the gaming industry in general has led to a focus on responsible gambling, while the changing views of the liquor industry place a greater emphasis on responsible use and enjoyment.

A key component to support social responsibility is the AGCO's enhanced role in the area of responsible gambling, established through the Registrar's Standards for Gaming. While the AGCO remains diligent in ensuring that gaming is conducted with honesty and integrity, the agency's regulatory focus has evolved to reflect the maturity of Ontario's gaming industry. The Registrar's Standards replace the former prescriptive set of rules and regulations with broader outcome-based standards to which regulated entities must adhere. Standards related to responsible gambling include provisions related to advertising and marketing, informed choice, player support, voluntary self-exclusion and game design.

The AGCO is advancing its commitment to Strategic Engagement by proactively working with multiple governmental, industry and public interest groups in an effort to enchance the AGCO's social responsibility role and programs. For example, the AGCO, in collaboration with the OLG, has established an ongoing Responsible Gambling Policy Roundtable that includes the Responsible Gambling Council, the Centre for Addiction and Mental Health and the Ontario Problem Gambling Research Centre. The Roundtable serves as a platform to discuss and evaluate the Registrar's Standards related to responsible gambling and provide a forum to discuss areas of shared interest and recent advancements in responsible gambling.

In the alcohol sector, the AGCO continues to modernize the regulation of Ontario's beverage alcohol industry, which is a key component of the Commission's 'modern regulator' objective. To date, the AGCO's Liquor Modernization Project has involved extensive stakeholder involvement, including nine industry roundtable sessions with one session dedicated to public health and social responsibility groups. Moving forward, the AGCO will continue its regulatory modernization of the beverage alcohol industry in a way that supports new investment and innovation while upholding the highest standards of social responsibility.

FIGURE 1 AGCO LICENSEES AND REGISTRANTS



* Does not include the +/- 61,000 Special Occasion Permits issued by LCBO on behalf of the AGCO

BOARD OF DIRECTORS

The *Alcohol and Gaming Regulation and Public Protection Act, 1996* constitutes the AGCO as a corporation without share capital and requires that the AGCO have a Board of Directors of at least five members. Board members are appointed by the Lieutenant Governor in Council, through Order-in-Council.

The Board is responsible for the overall governance of the Commission and meets as a Board of Directors on a monthly basis. In exercising its governance functions, the Board sets goals and develops policy and strategic directions for the Commission to fulfill its mandate.

This involves working with the Chief Executive Officer and Senior Management on Regulatory, Governance and Corporate Governance activities.

The list below reflects the members of the Board as at March 31, 2015, including their original appointment dates.

ELEANOR MESLIN
Chair (Part-time)

First Appointed
November 2000

Appointed Interim Chair
February 2011

Appointed Chair
February 2013

Term Expires
February 2016

KIRSTI HUNT
Vice-Chair (Part-time)

First Appointed
April 1997

Term Expires
April 2014

S. GRACE KERR
Vice-Chair (Part-time)

First Appointed
July 2007

Appointed Interim Vice-Chair
June 2013

Appointed Vice-Chair
December 2013

Term Expires
July 2015

BRIAN FORD
Member (Part-time)

First Appointed
September 2004

Term Expires
September 2014

BERYL FORD
Member (Part-time)

First Appointed
September 2004

Term Expires
September 2014

BRUCE MILLER
Member (Part-time)

First Appointed
December 2008

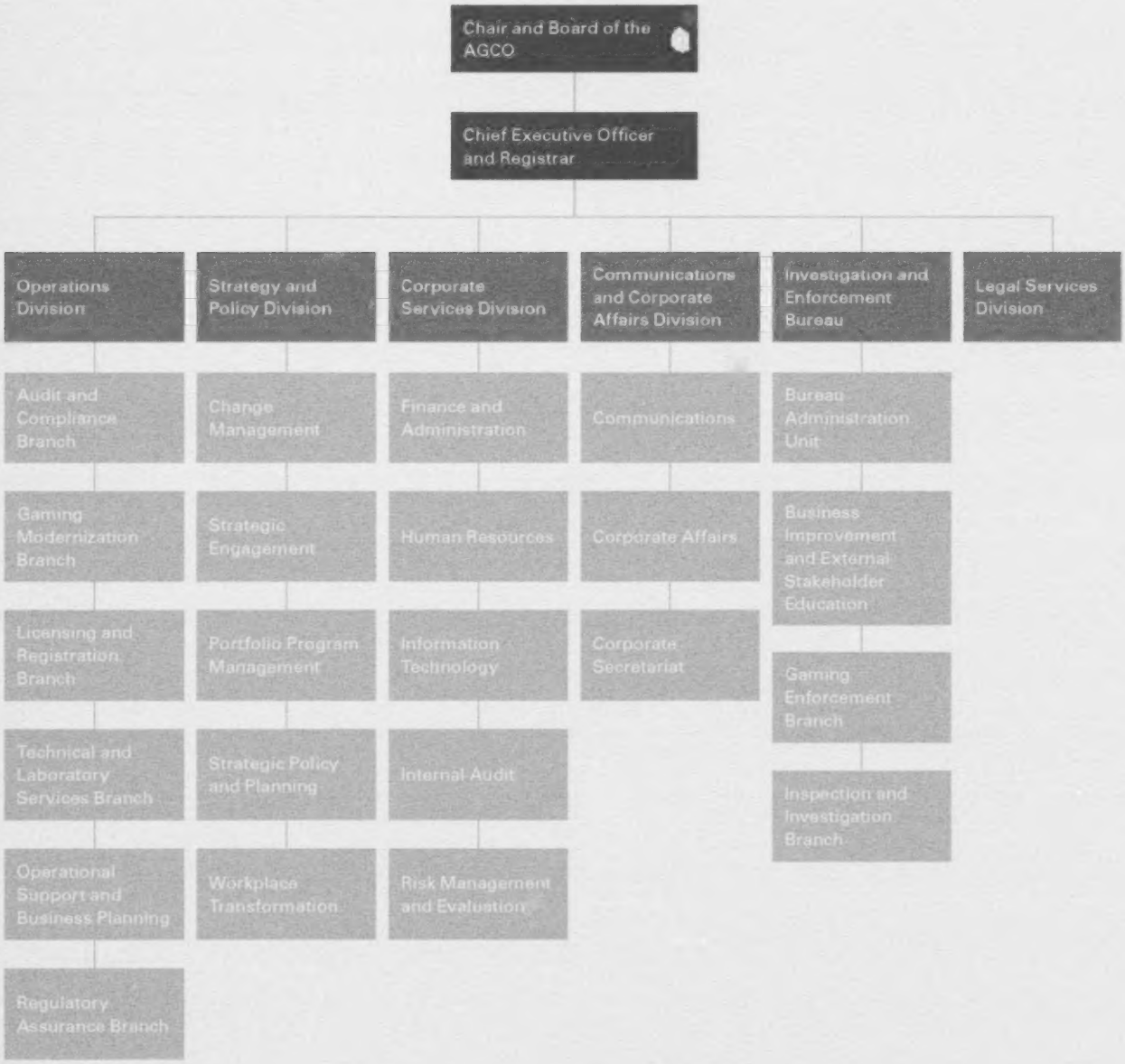
Term Expires
December 2014

CORPORATE ORGANIZATION

Organizational Structure

The AGCO's organizational structure is based on functional responsibilities and consists of six Divisions, each of which is led by a member of the Executive Committee reporting directly to the Chief Executive Officer and Registrar.

FIGURE 2 ORGANIZATIONAL STRUCTURE OF THE AGCO



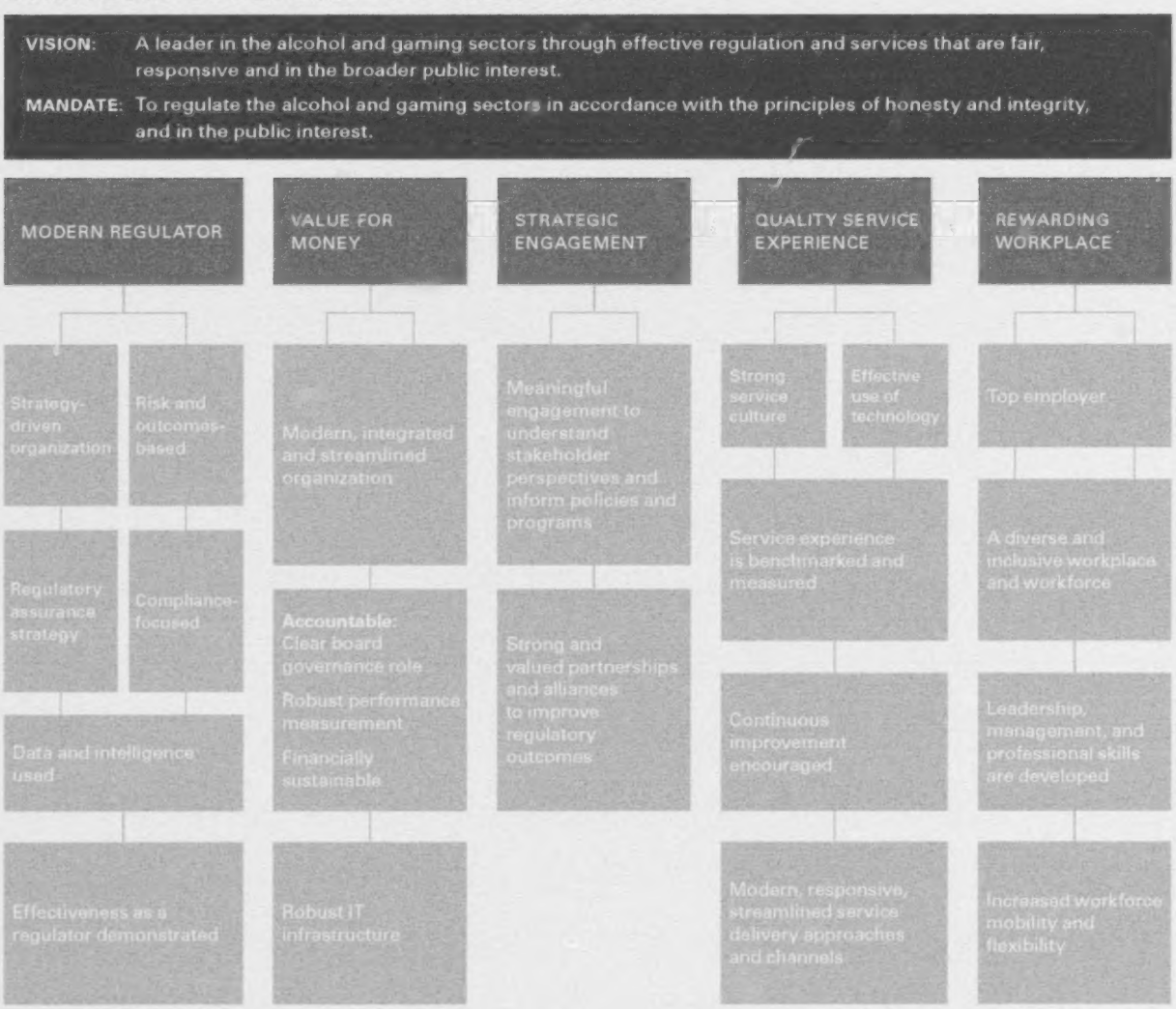
STRATEGIC DIRECTION

To continue to effectively regulate and function as the AGCO's operating environment becomes increasingly complex, the AGCO has developed a Strategic Plan (2013/14-2017/18) that will help the agency navigate challenges and opportunities during a period of expanding responsibilities in both the liquor and gaming sectors.

The AGCO Strategic Plan identifies the following five strategic goals:

1. Modern Regulator
2. Value for Money
3. Strategic Engagement
4. Quality Service Experience
5. Rewarding Workplace

FIGURE 3 STRATEGIC GOALS AND PLANNING THEMES


STRATEGIC GOALS AND PLANNING THEMES
VISION: A leader in the alcohol and gaming sectors through effective regulation and services that are fair, responsive and in the broader public interest.
MANDATE: To regulate the alcohol and gaming sectors in accordance with the principles of honesty and integrity, and in the public interest.
MODERN REGULATOR
VALUE FOR MONEY
STRATEGIC ENGAGEMENT
QUALITY SERVICE EXPERIENCE
REWARDING WORKPLACE
Strategy-driven organization
Risk and outcomes-based
Regulatory assurance strategy
Compliance-focused
Data and intelligence used
Effectiveness as a regulator demonstrated
Modern, integrated and streamlined organization
Accountable:
Clear board governance role
Robust performance measurement
Financially sustainable
Robust IT infrastructure
Meaningful engagement to understand stakeholder perspectives and inform policies and programs
Strong and valued partnerships and alliances to improve regulatory outcomes
Strong service culture
Effective use of technology
Service experience is benchmarked and measured
Continuous improvement encouraged
Modern, responsive, streamlined service delivery approaches and channels
Top employer
A diverse and inclusive workplace and workforce
Leadership, management, and professional skills are developed
Increased workforce mobility and flexibility

The strategic goals are aligned with and support achievement of key government objectives for enhanced accountability, efficiency and value for money in the delivery of public services, evidence-based decision-making and policy development, and minimizing the administrative burden where possible, on those regulated by the AGCO.

Over the past year, the AGCO has made significant progress towards achieving the strategic goals set out in our Strategic Plan:

1. Modern Regulator

The AGCO continues to modernize its regulatory approach, demonstrating leadership, innovation and effectiveness in the regulation of the alcohol and gaming sectors. In order to achieve this objective, the AGCO is continuing its ongoing transition towards risk-based, outcomes-based, and compliance-focused regulation. Building on its experience with foundational programs such as Risk-Based Licensing and Registration, and Risk-Based Enforcement, and consistent with its strategy of integration and convergence, the AGCO will develop a framework to guide the consistent use of risk-based methodologies and approaches across all lines of business.

Under the Standards-Based Approach, a key Modern Regulator initiative, the regulatory focus shifts from requiring gaming registrants to comply with a prescriptive set of rules and regulations – a "command and control" regulatory approach – to providing standards that must be achieved. This is a fundamental change that delivers a modernized approach to gaming regulation and allows the AGCO to focus its resources on key risks and maintaining game integrity, while providing a degree of business flexibility and efficiencies for the industry.

The AGCO continues to plan and coordinate the key activities needed to ensure the successful implementation of the Registrar's Standards for Gaming across various gaming sectors, including overseeing the development of the AGCO's regulatory assurance activities and monitoring the establishment of the operators' control environments. The Registrar's Standards for Gaming themselves were issued in April 2013, and most recently updated in December 2014 to incorporate Standards interpretations and to make a number of amendments prior to the launch of the OLG internet gaming platform.

In recent years, the government and the AGCO have taken a series of important steps to modernize the regulation of Ontario's beverage alcohol industry. These steps include, among other things, a two-year pilot program to allow the sale of VQA wines at Ontario Farmers' Markets. As the body responsible for the regulation of the pilot program, the AGCO worked with industry stakeholders and other government partners to successfully implement the program and is continuing to monitor the pilot.

As the government considers the work and recommendations of the Premier's Advisory Council on Government Assets for the distribution and retail of beer and wine in Ontario, the AGCO will have the opportunity to continue its regulatory modernization of the beverage alcohol industry in a way that supports new investment and innovation while upholding the public interest.

2. Value for Money

The AGCO is committed to remaining efficient and effective in its operations, supported by strong governance and accountability structures. The AGCO employs a risk-based approach to its licensing, registration and enforcement activities. By identifying which applicants, licensees and registrants pose an enhanced risk of non-compliance, the AGCO is better able to target its resources on the identified high-risk areas thereby allowing for improved efficiency and service delivery. Other initiatives that enhance governance and accountability include Board training and an accountability framework that outlines the AGCO's requirements related to government oversight. To support the agency's commitment to Value for Money and enhanced accountability, the AGCO is currently implementing the second phase of a uniform and integrated process to identify, analyze, evaluate, treat, and monitor key risks across the organization. Enhanced accountability and governance is achieved through risk identification, mitigation and monitoring. The Enterprise Risk Management (ERM) Strategy and methodologies form a foundation to guide management decision-making processes. This ensures that the AGCO understands its business and operational risks and manages them to an acceptable level of exposure given its priorities and objectives. The AGCO has recently completed its 2014/15 Internal Audit and Evaluation Plan based on the key risks identified through the ERM planning process.

More recently, the AGCO has also begun the development and implementation of a strategic and integrated approach to performance measurement in order to target, monitor and evaluate the extent to which the agency is accomplishing results. This enhanced approach to performance measurement will enable the AGCO to further improve program effectiveness by promoting a new focus on results, service quality and Value for Money. This performance measurement framework will help build the foundation for effective application of data analytics capabilities to evaluate and measure AGCO policies, programs and performance.

3. Strategic Engagement

The Office of Strategic Engagement continues to develop strategic partnerships and alliances to improve regulatory outcomes and strengthen AGCO's effectiveness as a regulator. To further its commitment to Strategic Engagement, the AGCO continues to explore formal partnerships with other regulators, monitoring and assessing domestic and international trends in the alcohol and gaming sectors, and coordinating strategic outreach to key partners and stakeholders.

Over the past year, the AGCO has identified a second phase for the Open Ontario Compliance Initiative, a collaborative and coordinated initiative among provincial and municipal organizations to deliver risk-based compliance activities to protect the public in the most efficient and effective way possible.

In addition, 28 municipal police services from across the province are now participating in the Last Drink program. Under this program, Ontario police services inform the AGCO about any alcohol-related driving offences where the drivers named a licensed establishment as the last place where they consumed alcohol. This information allows the AGCO to identify educational opportunities to work with licensees to better meet their regulatory obligations.

The AGCO also continues to proactively work with multiple governments, industry and public interest partners related to the latest round of regulatory reforms aimed at the beverage alcohol industry. The AGCO's Liquor Modernization project has involved strong stakeholder involvement to date, including nine industry roundtable sessions. This engagement-centered approach resulted in the release of the Findings Report in March 2014 and a series of reforms in September 2014.

At the national and international level, the AGCO is furthering its partnerships through invited participation at the globally-recognized International Association of Gaming Regulators conference. In addition, the Commission continues to make efforts to collaborate and, in some cases, work jointly with regulatory agencies in other provinces and foreign jurisdictions in order to conduct investigative work, establish and enforce common standards, and develop regulatory responses to new gaming products and emerging risks. Inter-jurisdictional collaboration among gaming regulators is facilitated through the negotiation of bilateral Memoranda of Understanding (MOU) between regulatory and law enforcement agencies. The AGCO currently has MOUs in place with 30 regulatory and law enforcement agencies around the world, including most recently with Singapore's Casino Regulatory Authority.

4. Quality Service Experience

The AGCO is committed to creating a strong service culture that permeates every aspect of its operations. The AGCO will continue to ensure that all interactions with, and within, the organization result in a quality service experience that is benchmarked and measured against service standards and that services are delivered in a manner that is fair, inclusive and responsive.

The AGCO's Regulatory Assurance Solution (RAS) initiative is a central component of the Strategic Plan commitment to offer modern and streamlined service delivery while also supporting broader government priorities of efficiency and accountability. RAS will replace the information technology systems which currently support the AGCO's regulatory assurance activities while integrating and streamlining AGCO business processes to align with the new information technology solution.

5. Rewarding Workplace

Transforming into a top employer is a key component of AGCO's Strategic Goal to create a Rewarding Workplace. A Rewarding Workplace is one that supports an environment of high performing and empowered staff where people are valued and supported through effective talent management. One of the Workplace Transformation's long-term objectives is for the AGCO to be recognized as a top employer. This will occur by evolving the corporate culture over time so that it becomes second nature for all leaders and employees to consider and incorporate the fundamental principles embedded in a top employer organization.

GOVERNMENT INITIATIVES AND PRIORITIES

As an agency of the provincial government, the AGCO supports the government's public policy priorities and fiscal objectives. Over the past year, the AGCO continued to review its priorities, to remain consistent with government direction, as well as its operations, to ensure cost-effective service delivery. Examples of government initiatives which have had an impact on AGCO internal operations from strategic, structural and financial perspectives include:

Premier's Advisory Council on Government Assets
In April 2014, the government appointed the Premier's Advisory Council on Government Assets to provide recommendations for maximizing the value of key provincial assets. The principles guiding the council's work were to ensure: the public interest remains paramount and protected; decisions align with maximizing value to Ontarians; and the decision process remains transparent, professional and independently validated.

As part of its review, the council examined the three quasi-monopolies in Ontario's liquor distribution system: the Liquor Control Board of Ontario (LCBO), the privately owned The Beer Store and off-site winery retail stores.

The council released its initial report in November 2014 and made several recommendations with respect to beverage alcohol. For example, the council recommended improving transparency at The Beer Store and ensuring a more equitable system for all producers, including craft breweries. For off-site winery retail stores, the council made recommendations to ensure Ontarians receive a fair share of profits and also proposed exploring the possibility of opening new private stores that offer both Canadian and international wines.

Following the council's initial findings and report, the government instructed the council to move to the second phase of its review, which will include consultations with multiple stakeholders.

With respect to beverage alcohol sales, the council has been directed to seek guidance and advice from government and external experts, and to work with the Ministry of Finance and Ministry of Economic Development, Employment and Infrastructure to ensure that all recommendations comply with Ontario's obligations under various trade agreements and other laws. The council will also ensure that recommendations support the province's ongoing commitment to social responsibility.

Open For Business
This ongoing government-wide initiative is designed to minimize the burden of regulation on Ontario businesses, foster competitiveness and welcome new business to the province.

Internally, the AGCO continued to work on a number of projects which support the overall goals of this program by reducing administrative burdens and using a regulatory approach intended to support responsible economic development. The Gaming Modernization initiative and the shift towards a standards-based framework in the gaming sector, for example, is intended to allow operators and businesses more flexibility to adapt to marketplace changes and ultimately to increase their competitiveness. The achievement of these goals is also enhanced through the AGCO's continued efforts to build strategic partnerships and share information with government ministries and agencies including the Ministry of the Attorney General, Ministry of Finance, OLG and the LCBO.

Among projects undertaken in 2014/15 to support the Open for Business strategy was a six-month pilot to evaluate the Open Ontario Compliance Initiative. The pilot included a number of Ontario regulatory bodies and was intended to demonstrate how: municipal and provincial organizations can achieve greater coordination and collaboration; risk-based compliance activities can be used effectively; and, the inspection process might be made less onerous for businesses. As a result of the pilot, the AGCO continues to explore opportunities to build strategic relationships with regulatory agencies across the province and enhance formal communications with other participants in the pilot (see Open Ontario Compliance Initiative, page 50).

In 2014/15, the AGCO continued work on its Regulatory Modernization in Ontario's Beverage Alcohol Industry initiative which launched in August 2013. The focus of the project is to review the AGCO's approach to the regulation of wine, beer, and spirits manufacturers, manufacturers' representatives, ferment-on-premise operators, and liquor delivery services and explore opportunities to modernize the Commission's regulatory approach. As a result of this initiative, several policy reforms were implemented which are intended to support new investment and innovation, maintain strong protection of the public interest, and respond to shifting economic and social realities as Ontario's beverage alcohol industry continues to expand and diversify. The AGCO will continue to work with stakeholders on a number of initiatives in 2015/16 as part of the Regulatory Modernization in Ontario's Beverage Alcohol Industry project (see Liquor Regulatory Framework Reform, page 36).

Ontario's Wine and Grape Strategy

In 2013, as part of the Ontario Government's economic plan, the government announced the renewal of the province's Wine and Grape Strategy. This included, among other programs, a two-year pilot program to allow the sale of VQA wines at Ontario Farmers' Markets. As the body responsible for the administration of the pilot-program, the AGCO worked with industry stakeholders and other government partners to prepare for the launch of the program in May 2014 and ensure that wine sales are conducted in a socially responsible manner (see VQA Wine Sales at Farmers' Markets, page 36).

OLG Modernization

In July 2010, the OLG was directed to conduct a strategic review of its operations, with a view to modernize charitable and commercial gaming. In its report delivered to the Minister of Finance in March 2012, the OLG outlined its proposal to modernize lottery and gaming in Ontario which included three key priorities: becoming more customer-focused; securing qualified service providers for the day-to-day operation of lottery and gaming; and renewing OLG's role in the conduct, management and oversight of lottery and gaming.

As the OLG's plan has a significant impact on the AGCO, and particularly on AGCO operations, the Commission and OLG continue to work together as implementation of the modernization strategy moves forward.

Open Government

In October 2013, the Ontario Government announced an Open Government initiative focused on three areas: Open Dialogue, Open Data, and Open Information, with an aim to increase transparency and accountability. The overall intent is to open up more data and information and give the people of Ontario new and improved ways to engage in the decision-making process and the development of policy.

Over recent years, the AGCO has undertaken an ongoing review of its policies and practices to identify and remove barriers for businesses, increase transparency in its operations and enhance appropriate public participation in liquor licensing decisions. For example, the AGCO is making it easier for local residents to access information and provide input into liquor sales licensing decisions by posting public notices of liquor sales licence applications to its website. At the same time, this approach provides administrative relief and cost savings for businesses in the hospitality industry.

In addition, the AGCO will continue to modernize Ontario's liquor regulatory framework using an Open Government approach that includes extensive consultations with stakeholder representatives. The Commission will also continue to review policies and practices to look for ways to improve openness, transparency and accountability.

GOVERNMENT OVERSIGHT AND AGENCY ACCOUNTABILITY

Accountability and transparency in the agency sector have been key government priorities over the last several years, with the government taking steps to strengthen its oversight of arm's-length agencies. New and enhanced accountability mechanisms continue to be implemented, including new procurement directives, enhanced agency accountability directives and the disclosure of expenses incurred by Board members and senior executives.

In the 2014 Budget, the government furthered its commitment to improving agency accountability and transparency when it announced that the mandates of all classified agencies will be reviewed on a regular basis. In addition, beginning in 2014, ministries will be required to undertake ongoing risk assessment evaluations of their agencies. Also, to help ensure that agencies remain aligned with the needs and expectations of Ontarians and the government, Chairs or CEOs of all agencies will be required to annually attest that their organizations are in full compliance with all government directives.

The AGCO has been subject to review and audit by government to ensure funds are spent wisely and taxpayers are receiving value for money. For instance, the AGCO underwent a value-for-money audit by the Auditor General on casino gaming regulation in 2010, and a follow-up audit in 2012, the results of which are included in the Auditor General's 2012 Annual Report. More recently, the AGCO was subject to an audit by the Ministry of the Attorney General (MAG), the AGCO's parent ministry. The focus of the review was AGCO Board governance, project management and AGCO's internal audit activities. Work by MAG auditors commenced in late October 2014 and a final report is expected in spring 2015.

PERFORMANCE MEASURES

TABLE 1 AGCO PERFORMANCE MEASURES 2014-15

STRATEGIC GOAL SUPPORTED	PERFORMANCE MEASURE	FIVE YEAR PLANNING CYCLE TARGET	2014 / 15 RESULTS
Modern Regulator	Percentage of compliance matters resolved through the LOI process without a request for hearing	Maintain the ratio of compliance matters resolved through LOI process without request for hearing at an average of 90%	90%
	Compliance rate of licensees following compliance-focused pilot initiatives	Rate of infractions declines relative to number of inspections	36% decrease
	Percentage of high-risk infractions following transition to a compliance-based operating model	Maintain an average 30% decrease in infractions compared to benchmark data	45% decrease
Value for Money	Average gaming and liquor application turnaround time	Average turnaround time meets or is lower than AGCO Standard (30 days)	Liquor: 29 days Gaming: 13 days
	Average electronic gaming lab testing turnaround time	Average turnaround time meets or is better than comparable jurisdictions (New Jersey = 53 days, Michigan = 52 days, and Nevada = 35 days)	48 days
Strategic Engagement	Current number of Memorandums of Understanding (MOUs) with external law enforcement and regulatory agencies to advance the AGCO's regulatory interests	Increase number of MOUs by 4%	11% increase
	Percentage of stakeholders indicating a high level of satisfaction following AGCO engagement sessions	Percentage of stakeholders indicating a high level of satisfaction following VQA Wine Sales at Farmers' Markets engagement sessions averages 80%	89%
Quality Service Experience	Percentage of gaming operators/ suppliers indicating very good/ excellent level of satisfaction with AGCO testing and lab services	Increase percentage of gaming operators indicating very good/ excellent level of service to 75%	100%
	Percentage of stakeholders indicating AGCO Education, Training and Awareness session increased their awareness of Ontario's Liquor Laws	Percentage of stakeholders indicating session increased their knowledge averages 90%	92%
Rewarding Workplace	Retention rate of permanent, full-time AGCO employees	Increase employee retention rate to 95%	94%
	Time to Fill Vacancies	Average time to fill vacancies meets or is better than AGCO internal target (9 weeks)	8 weeks
	Percentage of AGCO employees indicating high/very high level of understanding of AGCO's Strategic Plan Vision	Percentage of employees indicating high/very high level of understanding of AGCO's Strategic Plan Vision averages 80%	95%

INTERNAL OPERATIONS AND FISCAL ENVIRONMENT

The AGCO's internal operating environment continued to evolve due to various factors, including demographic shifts affecting the agency's workforce, new and streamlined service delivery methods, and the implementation of the agency's Strategic Plan, all within the context of the AGCO's expanding regulatory mandate. In order to effectively address the challenges and opportunities that lie ahead, the AGCO continues to proactively monitor and anticipate environmental changes in its external and internal operating environment.

Marketplace evolution within the liquor and gaming sectors, along with government initiatives and legal and regulatory reforms, have continued to expand the AGCO's regulatory authority. The Ontario government has announced that it will propose legislative changes to a number of statutes in the coming year. If passed, these changes would integrate support for provincial horse racing within OLG's mandate and transfer the province's regulatory responsibilities for horse racing to the AGCO.

To help manage the operational and financial pressures related to this expanded mandate, the AGCO continues to implement its long-term direction through its Strategic Plan. The Strategic Plan is accompanied by an enhanced business planning process and integrated performance measurement approach to ensure current and future initiatives support the agency's five Strategic Goals and better position the Commission to respond to expanded responsibilities in both the liquor and gaming sectors.

The AGCO has also been proactively implementing changes to improve efficiencies in its operations, demonstrating its commitment to Value for Money. Recent initiatives include the Enterprise Risk Management framework, numerous program audits to improve efficiencies, and the implementation of a long-term information technology strategy. Additionally, the AGCO's shift to risk-based regulatory approaches has ensured agency resources are allocated with greater emphasis on effectiveness and efficiency.

Service expectations have also changed in recent years and will continue to challenge the AGCO's capacity to respond in timely and effective ways. In response, the AGCO must offer a Quality Service Experience by making effective use of new technology to enhance and streamline delivery approaches and channels that are sensitive to stakeholder needs and expectations. Investments in technology will be made through the Regulatory Assurance Solution initiative, enabling electronic service delivery so that stakeholders can more easily provide information to and receive information from the AGCO.

Effectively addressing all of the challenges that lie ahead requires the AGCO to recruit individuals with the necessary technical and professional skills to ensure the effective regulation of new lines of business. To meet these challenges, the AGCO continues to work on initiatives that will strengthen its position as an employer of choice and developing robust recruitment and succession strategies in order to attract and retain the high quality staff and expertise necessary to effectively carry out its mandate.

OPERATING BUDGET – 2014/15 FISCAL YEAR REVENUE AND EXPENDITURES

As a regulatory agency with a governing board reporting to the Ministry of the Attorney General, the AGCO receives its annual spending authority from the Ministry's printed estimates, as approved by the Legislature. The AGCO is funded from a combination of revenue remitted to the Consolidated Revenue Fund and recoveries.

In 2014/15, the government imposed a $642,400 budget constraint on the AGCO. Despite this, the AGCO was able to manage costs while continuing to expand its mandate with the introduction of OLG internet gaming (iGaming), OLG charitable gaming initiatives, and VQA wine sales at Farmers' Markets, all of which were either fully or partly recoverable. In late 2014/15, as a part of its ongoing commitment to continue modernizing its regulatory approach, the AGCO also introduced a more streamlined Gaming Registration fee schedule by eliminating multiple fees within the same registration class.

TABLE 2 2014/15 FISCAL YEAR REVENUE AND EXPENDITURES

Revenues	2013/14	2014/15
Fees and Levies [1]	$26,598,397	$25,360,505
Total	$26,598,397	$25,360,505

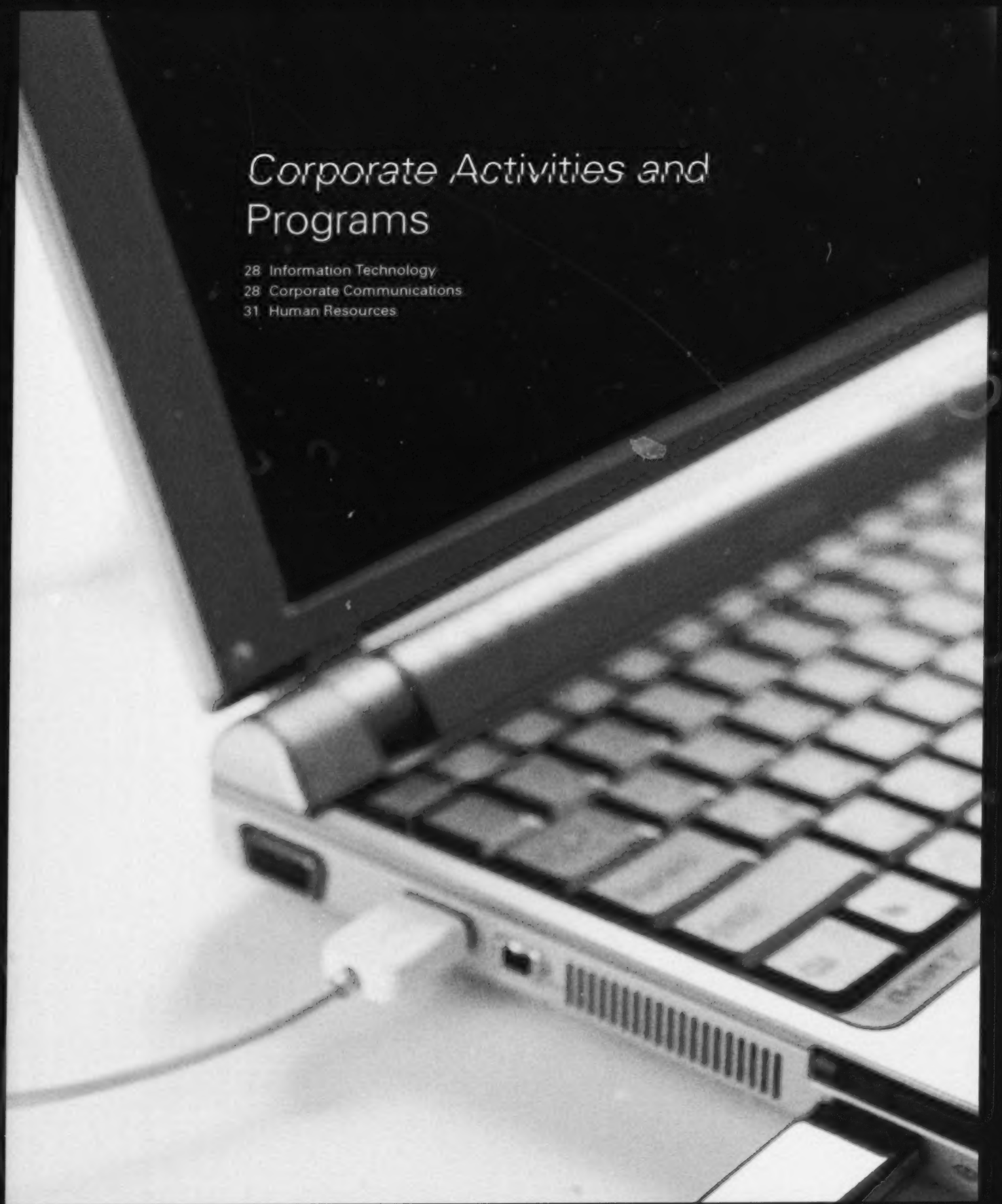
Expenditures	2013/14	2014/15
Salaries and Benefits [2]	$56,075,211	$61,149,132
Other Direct Operating Expenses [3]	$14,573,549	$11,587,114
Total Program Expenditures	$70,648,760	$72,736,246
Less Recoveries [4]	($42,643,870)	($43,267,124)
Total	**$28,004,890**	**$29,469,122**

(1) 28 Bingo halls which have converted to OLG cGaming no longer require a charitable gaming licence.

(2) Salaries and Benefits include additional employees hired to support OLG's Modernization initiatives, which include iGaming.

(3) Other Direct Operating Expenses include gaming eligibility assessment costs and one-time iGaming expenditures needed to support ongoing gaming modernization activities, which are recoverable.

(4) Recoveries for 2014-15 include gaming eligibility assessments from external suppliers as well as the registration and regulation of casinos and slot machine facilities, OLG lotteries, iGaming, and other gaming modernization initiatives paid for by the OLG.



Corporate Activities and Programs

28 Information Technology
28 Corporate Communications
31 Human Resources

INFORMATION TECHNOLOGY

The Information Technology (IT) Department ensures that each system, application and service helps the AGCO to not only operate but improve the way the organization conducts day-to-day business, and plan for future opportunities. IT works closely with all departments to provide leading-edge innovations and solutions to help the organization achieve its strategic goals.

The Information Security Office works in conjunction with IT towards safeguarding the confidentiality, integrity and availability of AGCO's internal information through the development of information security policies, processes and procedures and identifying and managing Information Security Risks.

Some of the most recent initiatives from the Information Security Office include:

- Skype for Business - enables remote meetings, bridging the gap between regional offices and staff, and strengthening the communication bond
- Exchange Online - as part of Office 365, provides a reliable, robust and secure email environment
- SharePoint Online - allows AGCO to collaborate with external users in a secure environment, thereby helping build relationships and reducing complicated manual processes
- Providing innovative solutions that meet business needs in serving the general public
- An acceptable-use policy - enhances security, providing users with a safe environment and sustainable performance
- Profiling of existing data to support the Fundament Liquor Data Mart prototype - this contributes towards the analysis of business intelligence and RAS

CORPORATE COMMUNICATIONS

Effective and timely communications to stakeholders, licensees, registrants, the public, and AGCO staff is crucial to fulfilling the organization's mandate in the regulation of the alcohol and gaming sectors.

The development of the Corporate Communications Plan in 2014/15 will help support the objectives and activities of the AGCO's Strategic Plan and five Strategic Priorities. The plan considers external and internal corporate communications activities, taking into account issues management, media relations and various engagement strategies. The plan also envisions a high degree of consultation and cooperation with all AGCO divisions and key stakeholders.

The AGCO continues to employ a variety of communications tools – website, intranet, Information Bulletins, Important Notices, stakeholder consultations, webcasts and others as appropriate – to provide two-way information flow to staff, stakeholders and the public about internal and external initiatives such as the Regulatory Assurance Solution, regulatory modernization within the liquor industry or the ongoing OLG Modernization initiative.

Issues Management and Media Relations

An integral part of the AGCO's communications strategy and issues management process is to identify potentially contentious issues as early as possible and address them in a timely and proactive manner. This allows the agency to respond to and provide accurate, timely and factual information to the Ministry of the Attorney General, the Board, CEO, staff, stakeholders, media and the public as appropriate.

The AGCO's media relations strategy is designed to communicate with media organizations in a clear and timely fashion in order to inform and educate the public, licensees, registrants and other stakeholders about the AGCO's responsibilities and activities relating to regulation of Ontario's liquor and gambling industries. Key activities in this area include responding to interview requests or information related to liquor and gaming legislation, regulations and policy and communicating proactively with media with regard to orders by the Registrar suspending or revoking liquor licenses and other regulatory activities. In 2014/15, the AGCO addressed nearly 100 media enquiries from news outlets of every size.

Website

AGCO's website (www.agco.on.ca) is a key tool by which the AGCO communicates with stakeholders and the general public. It provides timely and easily accessible information about liquor and gaming laws, regulations and policies administered by the AGCO. Users of the site have access to all pertinent legislation and information on related changes, registration and licensing application forms, guides, educational publications, annual reports and newsletters. The internet site will ultimately serve as the platform for electronic service delivery within and across the agency, and this will strengthen both internal communications and operational efficiency.

In 2014/15 there were 471,157 visits to the website, an increase of more than 16,000 visits from the year before.

Internal Communications

The AGCO continues to enhance its internal communications through a variety of channels in order to share information with more than 560 employees in more than 30 local offices and gaming sites across Ontario. A constantly-improving intranet site, regular all-staff Town Hall meetings, web-based delivery tools, managers' forums, information sessions, lunch and learns, divisional and branch meetings, "newsflash" internal communiqués, and internal newsletters are all methods used to communicate with staff during the year.

In 2014 the Communications Department created a plan to act on a series of employee focus groups on internal communications, as well as the results of a Workforce Engagement Survey.

Workforce Engagement Survey

A Workforce Engagement Survey was conducted in March 2014 with the help of IBM/Kenexa. The results of the survey provided information to help understand what is on the minds of people who work at the organization, including OPP personnel assigned to the AGCO, and how employees are motivated to contribute to the agency's success and organizational goals. This in turn helps to identify ways to address issues or fill gaps that may exist and is a key part of the current strategy to enhance our position as a best-in-class regulator and a top employer.

IBM/Kenexa examined four individual elements: pride, satisfaction, advocacy and commitment.

Overall, the results were positive. The staff at the AGCO is engaged and involved and rated the AGCO as a good place to work.

AGCO strengths included:

- A clear understanding and support for the AGCO vision of the future
- Good team work and cooperation with branches
- Good development and growth opportunities
- Managers who care about their employees; and
- Trust in the organization's leadership and direction

From a corporate perspective, a decision was made to focus on two themes coming out of the survey results:

- Improving open and honest two-way communication at the AGCO; and
- Establishing a clear link between the work that people do and the AGCO's vision

The results of the survey were provided to and discussed with staff and together action plans were created to address the key themes and issues that emerged from the data.

Public Affairs Initiatives for Licensees and Registrants

The public affairs function at the AGCO is responsible for education, training and awareness initiatives aimed at helping licensees and registrants compliancy with the laws and regulations administered by the Commission. Since its inception more than seven years ago, Public Affairs Coordinators have contributed to the education and training of licensees through information sessions, seminars, presentations, trade shows, newsletter articles and the development of information materials.

Key activities in 2014/2015 included the hosting of Know the Liquor Laws (KLL) seminars and participation in the Restaurants Canada trade show.

Now in its fifth year, the KLL seminars continue to be an educational mainstay that targets the AGCO's largest external stakeholder group. This two-hour seminar provides liquor sales licensees and their staff a better understanding of their obligations under the *Liquor Licence Act* (LLA) and regulations. The seminar provides an extensive question and answer period where licensees can seek clarification on a variety of topics. In 2014/2015, 988 people attended 44 seminars, conducted in 36 different communities across the province. Of those:

- 63% were owners and managers of liquor sales licensed establishments
- 64% worked in the industry for more than 5 years
- 96% of those who attended found it useful
- 92% learned something; and
- 89% would recommend attending the seminar to others

Newsletters, Bulletins and Notices

The AGCO regularly publishes materials to provide licensing/registration, educational and compliance information to stakeholders and the public.

Licence Line is a newsletter for liquor sales licensees published at least four times per year in English and French. Covering a variety of issues important to licensees, Licence Line focuses on providing information on recent changes to liquor legislation and regulations and is an important source of industry news and tips for stakeholders.

Lottery Line is a newsletter for lottery retailers and lottery retailer managers and is issued at least three times per year in English, French and Korean. It provides information and tips to educate lottery retailers on the laws and regulations governing the sale of OLG lottery products and break open tickets.

The AGCO issues Information Bulletins and Important Notices which target liquor and gaming stakeholders affected by decisions of the Registrar and/or Board and/or by changes to the regulatory frameworks governing these two industries. A variety of channels are used to distribute Bulletins and Important Notices, including posting on the AGCO website.

The AGCO also publishes Liquor Enforcement in Ontario: A Guide for Police Officers, which is distributed to front-line officers to help them understand their role in liquor enforcement and how they can work cooperatively with the AGCO to reduce alcohol-related harm in their communities.

Customer Service

The AGCO Customer Service department strives to provide the public with a "one-stop shopping" approach. During 2014/15, the department responded to a total of 161,089 customer contacts, providing help and guidance on licensing and registration issues, including enquiries and complaints for all AGCO business areas. This included:

- 109,291 customer contacts received via telephone
- 16,780 walk-in customers at the head office Customer Service Desk
- 26,625 customers who received information via AGCO's automated voice messaging system; and
- 8,393 email enquiries

Environmental Initiatives

The AGCO supports a culture of environmental responsibility through the work of the staff-driven Eco Committee. The Committee models its activities on the Ontario Public Service Green Transformation Strategy and the approach aims to reduce the AGCO's environmental impact by embedding ecologically-responsible thinking and actions into the day-to-day culture and work of the organization.

In 2014/15, the committee built upon successful initiatives that have included co-ordinating employee participation in community events such as Earth Week, distributing a regular electronic-only newsletter dedicated to environmental issues, and promoting ongoing programs focused on raising awareness and reducing waste, paper use, and carbon footprint.

HUMAN RESOURCES

The AGCO continues to implement programs to support its 'Rewarding Workplace' Strategic Goal while allocating resources to efficiently meet business requirements delivered through its divisional operations. The AGCO recognizes that capable and motivated employees are critical to achieving its business goals and to increasing its capacity to better deliver services, ensuring an environment where:

- Employees understand and believe their contributions are valued
- There is opportunity for career development and growth at the AGCO; and
- The AGCO is committed to continuing to train and develop staff and leaders

Development Opportunities at the AGCO

Secondment and development opportunities are provided to staff and management as part of the AGCO's recruitment, retention, and staff development strategy. During the 2014/15 fiscal year, the AGCO provided 34 secondment opportunities to employees in addition to 36 promotions. As well, 50% of the positions filled in the fiscal year were filled by internal candidates, which demonstrates our commitment to providing developmental opportunities to current employees.

All AGCO staff members undergo a Performance Development Review on an annual basis to reflect on the achievements of the previous year, plan for the next year and to identify learning and development needs along with their career goals and aspirations. The AGCO has also created a "Career Planning" page on the intranet that provides employees access to a Career Planning Guide as well as tools and resources to assist staff with preparing a Career Action Plan.

Employee Wellness

The AGCO continues to explore programs which recognize the importance of employee wellness in achieving a positive work environment. The AGCO provides training and educational seminars focused on wellness topics and also prepares and distributes to staff a monthly newsletter that highlights a variety of wellness matters. In addition, an annual Wellness Fair is held to recognize Healthy Workplace Month. The AGCO has also conducted several compressed work week pilots in an effort to support a healthy work/life balance. AGCO staff has organized a "Walking Club" that walks the neighbourhood surrounding head office twice a week, all year round.

In addition, the Staff Engagement, Wellness and Diversity Committee works on initiatives that support the health and well-being of employees. This year's initiatives included the Lions' Lair innovation award and the implementation of the multi-year Diversity Plan. Last year the Awards and Recognition programs were reviewed and changes were made based on employee feedback. Through Town Hall consultations, staff indicated that a peer-to-peer, in-the-moment option to recognize their peers was desired. A new program called the "Winning Spirit" was launched in February 2015. To date over 135 individuals have been recognized with a Winning Spirit Award.

Training and Development

The AGCO continues to invest in management by focusing on leadership development and coaching programs in order to build leadership capacity. The AGCO is experiencing significant change and transformation that is going to require strong leadership and change-management skills. The AGCO has also developed a "Coaching and You" program that is intended to instill a "coaching culture" at all levels of the organization. The AGCO continues to demonstrate a commitment to learning and development by investing in training programs in the areas of: Management and Leadership Development, Business Skills and Wellness and Personal Growth.

Human Resources Strategy

A "Needs and Gaps" analysis was conducted across all areas of the talent management spectrum and priorities have been identified as a primary focus in this fiscal year to make improvements in the areas such as talent acquisition, learning and development, diversity and strategic workforce planning.

The AGCO will also be developing an "Employee Value Proposition" to articulate the benefits of working at the AGCO to current staff as well as those who are considering employment with the AGCO. Human Resources are also a key resource to the top employer Initiative. The AGCO is striving to be an "Employer of Choice" for potential candidates. The demographic profile of the workforce is shrinking due to retirements of the baby boomers and as a result the workforce will be very competitive and the AGCO will need to be established as a desirable place to work.

The AGCO continues to refine and expand on the workforce metrics and performance measures that have been developed to measure effectiveness in areas of recruitment efficiency, investment in training, and turnover rates. A quarterly and annual report is provided to the C-Suite to report on the measures.

In early 2014, the AGCO launched the Evolve Job Shadowing program as an ongoing program following the completion of a pilot period. The program provides employees with an opportunity to shadow another employee to learn about other jobs in the AGCO for career development purposes or to improve understanding for their current job. In 2014/15, there were 40 job shadowing experiences completed. Fourteen different jobs were shadowed with the AGCO Inspector as the most shadowed job at 11, followed by the Compliance Inspector (6), and the Liquor Licensing Officer (5).

Workforce and Labour Relations

Subject to the approval of the Lieutenant Governor in Council, the Board of the AGCO is responsible for establishing terms and conditions of employment for bargaining unit and management staff upon recommendation from the CEO. Negotiations were held with OPSEU in December and January resulting in the ratification of a three-year term Collective Bargaining Agreement (January 1, 2015 to December 31, 2017).

The AGCO continues to consult with OPSEU Local 565 five times per year, through the Joint Consultation Committee, on matters of mutual interest.

Diversity and Inclusion

Created in 2008, the Ontario Public Service's Diversity Office is responsible for leading the government's strategy to create a more diverse, accessible and inclusive Ontario Public Service (OPS). The aim of the government's strategy is to build diversity into all OPS policies, programs and services, to build a healthy workplace free from harassment and discrimination, to reflect the public we serve at all levels of the OPS workforce and to respond to the needs of a diverse Ontario population. The AGCO has developed a comprehensive Diversity and Inclusion Plan and continues to explore ways to build diversity and inclusion into its operations and activities in the coming years.

The AGCO focused on four key elements in developing its Diversity and Inclusion Plan: People, Processes, Services and Results, with each aspect playing an integral role in the overall program. "People" refers to the investment made in the continuous learning of staff and management to build their cultural competencies and responsiveness. "Processes" focuses on examining organizational processes, policies and practices for barriers that prevent full participation in all aspects of society, including physical barriers, communications barriers, attitudinal barriers, economic barriers and technological barriers. The "Services" component speaks to improving current service delivery to better ensure inclusiveness, fairness and responsiveness. Finally, "Results" is about what will actually be measured and reported in terms of progress year after year.

Accessibility for Ontarians with Disabilities Act, 2005

The *Accessibility for Ontarians with Disabilities Act, 2005* (AODA) was created with the goal of developing standards that would improve accessibility for people with disabilities across the province. To date, accessibility standards have been developed in the areas of customer service, employment, information and communications, transportation, and the built environment.

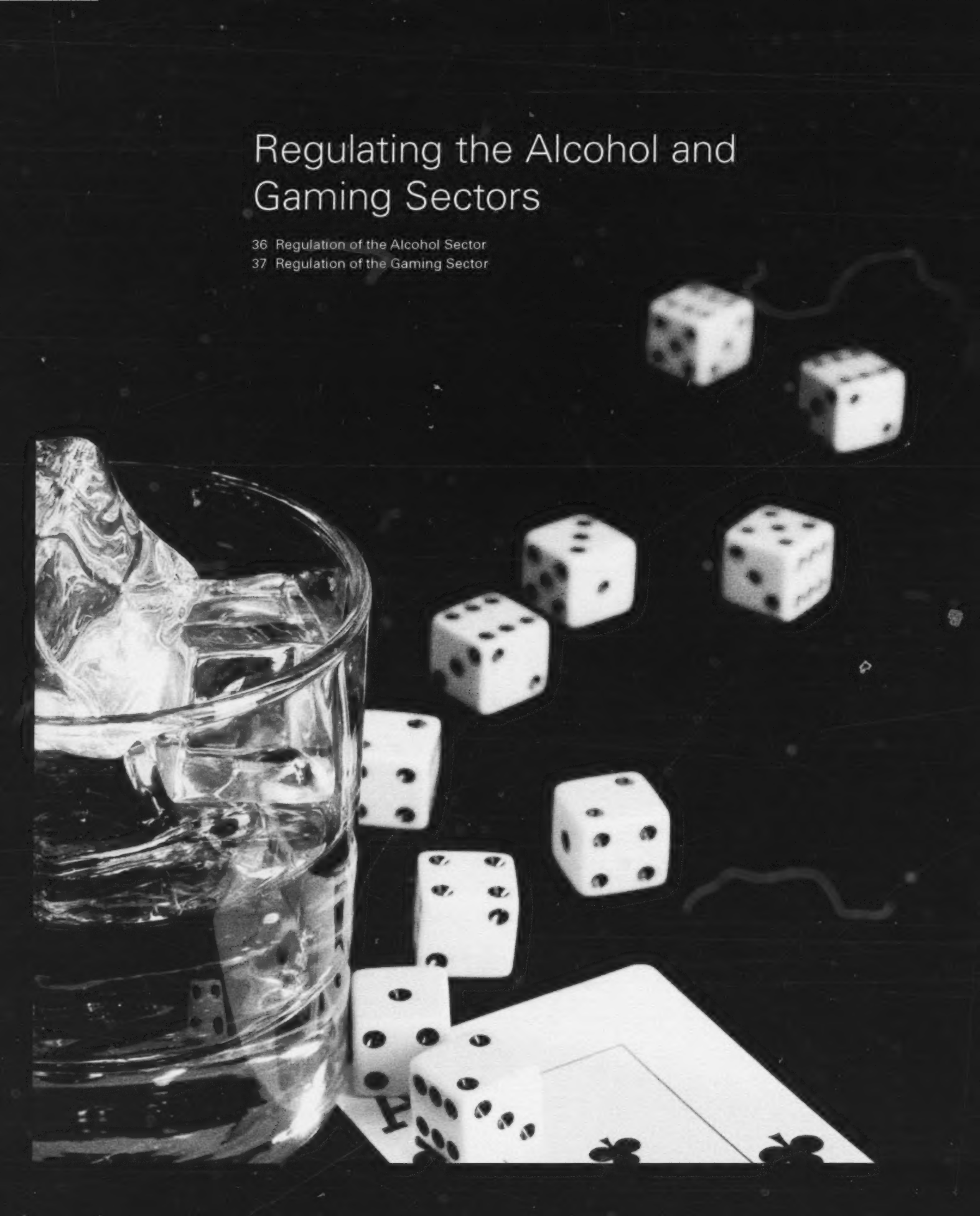
The customer service standard came into effect January 1, 2008 and all public bodies were required to be in compliance by January 1, 2010.

The Integrated Accessibility Standards Regulation (IASR) is the second regulation to be made under the AODA. This regulation came into effect on July 1, 2011 and sets out the requirements for four new accessibility standards: transportation, employment, information and communications and the built environment. All public bodies were required to be in compliance with certain provisions by January 1, 2012 and additional requirements are being phased in gradually until 2021. Over the past year, to meet the most recent requirements under the IASR, the AGCO took several significant measures in the area of accessibility which included providing training to all staff on the IASR and on the Ontario Human Rights Code as it relates to people with disabilities, as well as implementing a number of accessible employment practices.

The AGCO has met all requirements under the AODA and the IASR to date and will continue to implement policies and plans to meet and address the upcoming accessibility standards and needs.

Regulating the Alcohol and Gaming Sectors

36 Regulation of the Alcohol Sector
37 Regulation of the Gaming Sector



REGULATION OF THE ALCOHOL SECTOR

Liquor Regulatory Framework Reform

In recent years, the government and the AGCO have taken a series of important steps to modernize the regulation of Ontario's beverage alcohol industry to promote responsible economic development, improve service delivery, enhance consumer choice and strengthen social responsibility. To support the government's modernization agenda, the AGCO in 2014/15 further reviewed its policies and practices on an ongoing basis to identify and remove barriers for businesses, increase transparency in its operations and enhance appropriate public participation in policy development. As a result, the Commission has implemented a number of key programs to modernize the liquor regulatory framework, including risk-based licensing, risk-based enforcement, monetary penalties and significant changes to the Special Occasion Permit program.

With the Regulatory Modernization in Ontario's Beverage Alcohol Sector initiative, the AGCO continues to use a stakeholder-driven process in which affected parties had the opportunity to not only be heard, but also to take an active role in the policy development process. Since August 2013, the Commission has led an extensive engagement with industry stakeholders, as well as public health and social responsibility organizations and other government ministries and agencies. The consultation period included the receipt of 32 written submissions in response to an AGCO consultation paper, as well as nine roundtable sessions and several one-on-one meetings, attended by a total of 95 participants from the public, private, and non-profit sectors.

In March 2014, the AGCO released a Findings Report to provide a comprehensive overview of the issues and proposals raised during both stages of the consultation period. Throughout October to December 2014, the AGCO further engaged its stakeholders through issue-specific stakeholder working groups in efforts to finalize the policy and implementation details for issues selected for reform, and, when possible, to execute changes to its policies and procedures. An initial series of policy reforms were announced in September 2014, and opportunities for further reform have been identified and continue to be explored as a result of feedback obtained throughout the stakeholder engagement process.

VQA Wine Sales at Farmers' Markets

In December 2013, the Ontario government announced the renewal of the province's Wine and Grape Strategy. Initially launched in 2009, this strategy forms part of the government's economic plan to invest in people, build modern infrastructure and support a dynamic and innovative business climate.

One of the key projects under the $75-million strategy was the announcement of a 2-year pilot program to allow VQA wines to be sold at Farmers' Markets. The AGCO worked with industry stakeholders and other government partners to develop and prepare for the administration of the program to support the wine industry, while maintaining social responsibility standards. The AGCO has also participated on a government-industry working group led by the new Wine Secretariat created under the renewed Wine and Grape Strategy.

The pilot program launched on May 1, 2014 and as of March 31, 2015 there were 77 wineries selling their VQA wine at 141 Ontario Farmers' Markets. Over the coming years, the AGCO will continue to administer and assist in evaluating and assessing the pilot program throughout its duration, as well as continue to work with the Wine Secretariat and related working groups to ensure appropriate engagement with various stakeholders with respect to the new program (see Ontario's Wine and Grape Strategy, page 22).

REGULATION OF THE GAMING SECTOR

The AGCO continues to modernize its regulatory approach, by demonstrating leadership, innovation and effectiveness in the regulation of Ontario's gaming sector. In order to achieve this vision, the AGCO has been focusing on both the regulatory framework and its operations to deliver a modernized approach to gaming regulation. This allows the organization to focus its resources on key risks and maintain game integrity, while providing a degree of business flexibility and efficiency for the industry.

The AGCO has been working with the OLG and industry groups on a number of new initiatives in the gaming sector, including the charitable gaming (cGaming) and internet gaming (iGaming) initiatives. In carrying out this work, the AGCO has been developing and implementing processes, policies and a regulatory assurance structure that incorporates the various regulatory improvements that have been made across the agency in recent years. This includes a risk-based registration process and the development of standards that are based on regulatory risk analysis.

In anticipation of future regulatory responsibility over new gaming activities approved by the Ontario government, the AGCO also developed and implemented a regulatory assurance approach to conduct a pilot on the use of electronic ticketing machines for 50/50 draws. As this pilot has been extended, the AGCO will continue to refine and further develop a regulatory framework with respect to the use of electronic ticketing machines for 50/50 draws.

The next year will remain focused on supporting the OLG's modernization process, which will result in an increased role for the private sector in casino operations. As this change emerges, the AGCO will continue with the enhanced implementation of the Registrar's Standards at casino gaming sites. In the future, as OLG continues to move through its modernization process, the AGCO will be consistently challenged to demonstrate its continued effectiveness as a Modern Regulator and maintain the high standard of integrity in the gaming sector that both the government and public have come to expect.

Standards-Based Regulation

Throughout 2014/2015, the AGCO further developed the Registrar's Standards for Gaming, which included consultation with key industry stakeholders, including OLG, public interest groups, operators of casinos and charitable gaming sites and other governmental partners. This resulted in the amendment of the Registrar's Standards for Gaming in December 2014. These risk-based standards shift the focus from requiring operators to comply with a specific set of rules or processes, which tend to be prescriptive in nature, towards broader regulatory outcomes. The December 2014 standards apply to OLG and all operators of casinos, iGaming, and cGaming sites in Ontario and address various key areas of regulatory concern such as surveillance, security, access to gaming sites, protection of players and responsible gambling.

The AGCO has worked with operators in each of the applicable industry sectors to coordinate adoption of the standards and implementation of the risk-based regulatory assurance approach. All operators in the cGaming and iGaming sectors are now operating under the standards. Accordingly, the AGCO has implemented appropriate risk-based regulatory assurance processes and activities in the cGaming and iGaming segments to monitor ongoing compliance to the Registrar's Standards. Work continues with operators in the casino segment to help them adopt the standards in a reasonable and practical manner.

Development of standards specific to the lottery sector continued in 2014/15. This also included consultation with key gaming industry stakeholders, including OLG, public interest groups and other government partners. Their feedback has helped to inform the content of the standards which will be finalized in summer 2015.

OLG Casinos and Slot Machine Facilities

The AGCO registers employees and suppliers, approves electronic gaming equipment and rules of play, conducts compliance inspections, launches investigations and undertakes audits, both scheduled and ad hoc, at Ontario's casinos and slot machine facilities to help ensure regulatory compliance and to maintain strong public confidence in gaming in Ontario. Gaming activities at these facilities are conducted and managed by OLG.

The AGCO continued to support the OLG Modernization plan, including the increased role for private sector entities in the operation of land-based casinos. The AGCO continued to perform complex eligibility assessments on private sector entities seeking to enter gaming in Ontario as the OLG moves forward with the procurement and selection of private operators for seven designated gaming bundles.

Existing casino operators and the OLG continue to transition to the Registrar's Standards as part of the ongoing modernization of the regulatory framework for casino gaming – including the development of comprehensive control environments. Internally at the AGCO, development of an extensive integrated regulatory assurance framework continued, accompanied by the alignment of internal business processes, to ensure that gaming facilities continue to operate with honesty and integrity, and that crown assets are protected.

Internet Gaming (iGaming)

The Ontario government's decision to launch iGaming adds another line of business to the AGCO's regulatory mandate. The Commission continues to develop and implement a robust regulatory framework that will ensure an international "gold standard" for responsible gambling, game integrity and system security. Extensive research in other jurisdictions has been completed to identify best practices for iGaming regulation, including examining sources of information about potential suppliers that can inform the eligibility assessment process.

The new regulatory structure incorporates the various regulatory improvements and elements that are being implemented elsewhere across the AGCO. This includes the application of a risk-based approach to eligibility assessment and the registration process as well as the testing of the iGaming solution and games, and employing a standards-based approach to the regulatory framework. Development of data analytics capabilities will allow the AGCO to leverage and analyze large and disparate data sources to uncover insights, trends, patterns and relationships, and predict future outcomes in order to effectively target regulatory oversight.

In order to streamline activities and ensure a robust and effective review of potential suppliers, the AGCO developed a new governance structure for a team-based approach to eligibility assessments. This new approach was employed in the assessment of OLG's iGaming primary service supplier. This team-based approach has proven successful for iGaming and has been extended to support OLG's overall modernization process.

Following a risk-based approach and strategy, testing of the OLG iGaming solution and games will continue, as will the registration process for secondary suppliers. The AGCO will continue to develop its regulatory assurance plan, and, in cooperation with OLG and its suppliers, develop control activities and ensure compliance with the iGaming standards.

OLG Lotteries

The AGCO has been working with OLG to prepare for anticipated changes to its lottery business, specifically with reference to the expanded role of the private sector. The AGCO has further enhanced the lottery regulatory framework, in conjunction with the OLG's Gaming Modernization, which will include the development of Lottery Standards consistent with AGCO's overall regulatory approach. Amendments to the regulatory framework will continue to be made as required to ensure that this business segment continues to be operated with honesty and integrity, and in a manner which ensures that Crown assets are protected.

cGaming

Following direction from the provincial government, the OLG, in collaboration with the Ontario Charitable Gaming Association and the Commercial Gaming Association of Ontario, embarked on a multi-year initiative to revitalize bingo in the province by introducing electronic products into existing and future facilities. OLG's involvement is needed because the Criminal Code of Canada requires that only provincial governments conduct and manage lottery schemes on or through an electronic device.

Over the past year, the AGCO has continued to work with the OLG and industry partners to facilitate the introduction of electronic games conducted and managed by OLG in cGaming centres. The cGaming sector is regulated under the Registrar's Standards for Gaming.

Charitable Gaming

In addition to cGaming, traditional paper-based bingo events conducted and managed by licensed charitable organizations continue to operate in Ontario. Charitable gaming revenues, including those which come from traditional bingos, are an essential source of funding for a large number of not-for-profit organizations. The AGCO continues to support the charitable gaming industry by enhancing fundraising opportunities for charities and providing suppliers with opportunities for business growth through modernization initiatives such as the bingo revenue model and changes to the break open ticket regulatory framework as well as its work with the Charitable Gaming Strategic Working Group and Mega Raffle Working Group.

Changes to the Criminal Code

Bill C-43 received Royal Assent on December 16, 2014. Part 4 of Bill C-43 amends section 207 of the Criminal Code (the Code) to permit charitable or religious organizations to carry out, with the use of a computer, certain operations relating to a provincially-licensed lottery scheme. These recent amendments to the Code allow the AGCO to consider amending the regulatory framework for charitable raffles in Ontario – one where the use of computers is permitted. The AGCO will continue to work with stakeholders in the charitable sector, ensuring that there are opportunities to participate and that stakeholders are informed of decisions and progress.

Operational Performance

41 Licensing and Registration
44 Electronic Gaming Equipment and System Approvals
48 Shifting AGCO's Regulatory Strategy
48 Alcohol
52 Gaming
54 OLG Lotteries
55 Charitable Gaming
56 iGaming
56 Electronic Raffles
56 Hearings, Appeals, Dispute Resolution and Settlements

LICENSING AND REGISTRATION

Liquor Licensing

The *Liquor Licence Act* and its Regulations provide the Registrar with the authority for regulating and licensing the following: liquor sales licences, ferment-on-premise facility licences, liquor delivery service licences, manufacturer's licences and manufacturer's representative licences.

The AGCO is also responsible for overseeing the administration of Special Occasion Permits (SOPs). The Liquor Control Board of Ontario (LCBO), which is responsible for the retail sale of beverage alcohol, also issues SOPs on behalf of the AGCO. SOPs are required for occasional private events such as weddings and receptions or public events, such as community festivals, where beverage alcohol will be served and/or sold to the public.

TABLE 3 TOTAL NUMBER OF LIQUOR LICENCES AND SPECIAL OCCASION PERMITS

	2013/14	2014/15
Liquor Sales Licensed Establishments	17,118	17,225
Ferment-on-Premise Facilities	577	551
Liquor Delivery Services	295	289
Manufacturers	358	414
Manufacturers' Representatives	874	859
Total liquor licences	19,222	19,338
Special Occasion Permits issued	61,463	60,775

Gaming Registrations

Gaming registrations must be obtained by any person or business wishing to:

- Provide goods or services to charitable or religious organizations to assist with the conduct and management of their licensed lottery event, or any business that manufactures bingo paper or break open tickets
- Sell lottery products on behalf of OLG, or provide goods or services to OLG related to lottery products; or
- Provide goods or services to, or work for a casino, slot machine facility, or charitable gaming site

In reviewing applications for registration, an eligibility assessment is carried out by the Registrar concerning the character, integrity, financial responsibility and competence of those persons or businesses and their suitability for registration.

Table 4 below indicates the number of registrations issued by the AGCO by category from 2013/14 to March 31, 2015, under the new corresponding registration classes.

TABLE 4 NUMBER OF GAMING REGISTRATIONS ISSUED

REGISTRATION CLASS	LINE OF BUSINESS	2013/14	2014/15
Operators	Commercial Sector	29	28
	Charitable Sector	75	72
Sellers	Charitable Sector *	281	224
	OLG Lottery Sector	9,872	9,215
Gaming-Related Suppliers	Commercial Sector	42	54
	Charitable Sector	84	64
	OLG Lottery Sector	37	29
Non-Gaming-Related Suppliers	Commercial Sector	316	292
Trade Unions	Commercial Sector	16	18
Category 1 Gaming Assistants	Commercial Sector	2,625	2,644
	Charitable Sector	525	574
	OLG Lottery Sector	2,050	1,852
Category 2 Gaming Assistants	Commercial Sector	10,973	11,026
	Charitable Sector	2,661	2,143
		29,586	28,235

* This figure represents the number of sites that only sell charitable break open tickets (no OLG lottery products). It does not denote the total number of sites that currently sell break open tickets. All registrants who are Sellers may sell break open tickets in addition to OLG lottery products.

Charitable Gaming Licences

The AGCO oversees the licensing of lottery events conducted and managed by charitable organizations, including bingo, raffles and the sale of break open tickets. The agency also issues registrations to individuals or businesses that wish to provide goods or services to the charitable gaming sector, and carries out inspection and compliance assurance activities to ensure that charitable gaming licensees and registrants are operating in accordance with the law and in the public interest.

The issuance of charitable lottery licences continues to be a two-tiered approach, with the AGCO and local municipalities both having a role in this program.

The AGCO is the licensing authority for:

- Charitable gaming events in pooling bingo halls
- Bingo events with prize boards over $5,500
- Super jackpot bingo events
- Progressive bingo game events and loonie progressive games
- Social gaming events (i.e. table game event held in conjunction with a social event)
- Raffle lotteries for total prizes over $50,000
- Break open tickets sold by organizations with a provincial mandate
- Lotteries held in conjunction with another gaming event, including break open tickets at bingo events
- All lottery schemes conducted in unorganized territories; and
- Lottery schemes at designated fairs or exhibitions

Municipalities issue charitable lottery licences for the following:

- Bingo events with prize boards up to $5,500
- Media bingo events with prizes up to $5,500
- Break open tickets for local organizations
- Raffle lotteries for total prizes of $50,000 and under; and
- Bazaar lotteries which include wheels of fortune with a maximum bet of $2, raffles not exceeding $500, and bingo events up to $500

A municipality may attach terms and conditions to a licence, in addition to those established by the province, provided that they do not conflict with provincial terms and conditions or policies.

Overall, the charitable gaming industry was generally stable from 2013/14 to 2014/15. The variance in figures indicated in table 5 below reflects a shift in charitable gaming initiatives and administrative relief measures put in place to streamline processes, create efficiencies and provide better customer service for licensees.

TABLE 5 LOTTERY LICENCES ISSUED

	2013/14	2014/15
Bingo	139	137
Charitable Gaming (Bingo Hall)	5,326	3,723
Break Open Ticket (BOT) *	67	46
Raffle	216	207
Social Gaming Events	33	24
Other	7	6
Total	5,788	4,143

* The Break Open Ticket Modernization initiative, implemented on July 1, 2010, included the extension of licence periods, which equates to fewer licences issued throughout the year.

ELECTRONIC GAMING EQUIPMENT AND SYSTEM APPROVALS

Public confidence in gaming is dependent on many factors and AGCO's Technical and Laboratory Services (TLS) Branch is dedicated to achieving its mandate to ensure that all electronic games, equipment and systems in the province operate in the public interest with integrity, safety, accounting capability and security.

TLS achieves its mandate through many activities, including:

- Assessing advances in technology and game design to develop and maintain Ontario Technical Standards for gaming equipment
- Testing and approving the games and equipment against these Technical Standards
- Assessing supplier and OLG quality assurance and testing procedures; and
- By acting as a centre of technical excellence within the AGCO by sharing its expertise with other branches and departments

Gaming Laboratory

The TLS Branch has a Gaming Laboratory that performs game, equipment, and systems assessment and testing. The games assessed and approved are played in all gaming streams regulated by the AGCO: casino gaming, charitable gaming, lotteries and internet gaming (iGaming).

The Gaming Laboratory is accredited to the international standard ISO/IEC 17025:2005, which is the internationally recognized standard for quality assurance of testing laboratories. Accreditation to ISO/IEC 17025:2005 requires annual audits to be performed by both external and internal assessors with technical expertise in the testing procedures and equipment that are in the scope of accreditation. These audits ensure that the standard is being maintained and that operations comply with the requirements of this standard.

Some of the tests conducted by the Gaming Laboratory include:

- Mathematical simulation/verification of game payback and award odds
- Random number generator testing to verify the randomness of game outcomes
- Testing to evaluate technical integrity, safety, security and accounting capability of the gaming equipment
- Computer emulation of games to verify accurate prize payouts; and
- Interoperability between components of networked equipment and management systems

The Gaming Laboratory performs assessment and testing on all electronic games and gaming equipment in Ontario, including:

- Casino Gaming:
  - Gaming Equipment – slot machines, electronic table games, card shufflers, physical and electronic random number generators
  - Gaming Systems – progressive jackpot systems, gaming management systems, ticketing, slot monitoring and progressive award systems and the gaming equipment
- Lotteries:
  - Testing and reviews of OLG lotteries games, equipment, and systems

- Charitable Gaming:
  - e-Bingo systems, electronic TapTix dispensers, 50/50 raffle ticket technology, and Play-On-Demand games
- iGaming:
  - Online games, player account management systems, payment systems and reporting systems

iGaming Approval and Launch

Since 2013, the Gaming Lab has been involved in assessing the OLG's iGaming solution to ensure it complies with the Registrar's Standards and to gain confidence that technical risks do not create issues of technical integrity or security. The work was approached by dividing the assessment activities into four work streams: random number generator analysis, game assessment and testing, functional and system integration testing, and security testing. These work streams were performed through an iterative, risk-based approach over 10 test cycles until late 2014, with all identified issues assessed and appropriately remediated. At the conclusion of the final test cycle, no high impact issues remained in the solution, and the iGaming solution was approved for its launch date in December 2014.

In 2014/15, staff of the Gaming Laboratory assessed and tested 1,145 requests for approval of casino gaming, iGaming, charitable gaming, and lotteries equipment and systems. Of these, 10 per cent – or 117 requests – were not approved due to critical issues uncovered during the Gaming Lab's testing and assessment.

These critical issues included games not operating in accordance with the game rules, game rules missing important information to enable a patron to make informed choices, and games not meeting payback requirements.

Electronic Gaming Inspections

The Audit and Compliance Branch of the AGCO has Electronic Gaming Inspectors on-site at casinos and slot machine facilities who are responsible for inspecting new electronic gaming equipment, conducting targeted risk-based inspections on approved electronic gaming equipment, and performing inspections on new installations and changes to slot machines.

In 2014/15, Electronic Gaming Inspectors inspected 38,355 electronic gaming devices, including slot machines, with minimum disruption to patron play. Of these inspections, 2,607 deficiencies were found as follows:

- 1,327 critical deficiencies were found in games which were being inspected prior to approving their availability for patron play (i.e. incorrect software installed, unapproved pay tables enabled, etc.). These games were not allowed for play until corrective action was taken by the site and the games passed inspection; and
- 1,280 other non-compliance deficiencies were discovered during inspections of devices that were quickly remedied by the site (i.e. button panel not working, loose locks, etc.) so that the game could be made available for patron play once the deficiency was corrected.

TABLE 6 NUMBER OF SLOT MACHINES AND TABLE GAMES IN GAMING FACILITIES

CASINOS	# OF SLOT MACHINES	# OF TABLE GAMES	LOCATION	OPEN TO PUBLIC
OLG Casino Brantford	554	57	Brantford	November 19, 1999
Great Blue Heron Charity Casino	526	60	Port Perry	May 5, 2000
OLG Casino Point Edward	450	21	Point Edward	April 20, 2000
OLG Casino Sault Ste. Marie	438	13	Sault Ste. Marie	May 23, 1999
OLG Casino Thousand Islands	473	22	Gananoque	June 22, 2002
OLG Casino Thunder Bay	446	11	Thunder Bay	August 30, 2000
Casino Niagara	1,484	39	Niagara Falls	December 9, 1996
Niagara Fallsview Casino Resort	3,133	135	Niagara Falls	June 8, 2004
Casino Rama	2,630	117	Orillia	July 31, 1996
Caesars Windsor	2,262	92	Windsor	Interim: May 1994 Permanent: July 29, 1998

SLOT FACILITIES	# OF SLOT MACHINES	LOCATION	OPEN TO PUBLIC
Ajax Downs	825	Ajax	March 2, 2006
OLG Slots at Clinton Raceway	122	Clinton	August 26, 2000
OLG Slots at Dresden Raceway	148	Dresden	April 20, 2001
Flamboro Downs	809	Dundas	October 13, 2000
Georgian Downs	970	Barrie	November 29, 2001
Grand River Raceway	242	Elora	December 6, 2003
OLG Slots at Hanover Raceway	202	Hanover	February 21, 2001
Kawartha Downs Raceway	441	Peterborough	November 24, 1999
Mohawk Raceway	859	Milton	August 12, 1999
Rideau Carleton Raceway	1,235	Ottawa	February 18, 2000
Sudbury Downs Raceway	406	Sudbury	November 28, 1999
OLG Slots at Western Fair	720	London	September 30, 1999
Woodbine Raceway	3,017	Toronto	March 29, 2000
Woodstock Raceway	237	Woodstock	June 22, 2001

cGaming

In 2014/15, the AGCO conducted 164 inspections at cGaming sites, with 311 inspection checklists completed. As of March 31, 2015, the following 29 sites, all of which have eBingo and eBOTS (TapTix machines), had been converted to eBingo sites conducted and managed by OLG:

TABLE 7 eBINGO SITES CONDUCTED AND MANAGED BY OLG

SITE NAME	MUNICIPALITY	eBINGO LAUNCH DATE
Boardwalk Gaming Centre	Sudbury	Pilot Program Site
PenDelta	Peterborough	Pilot Program Site
Treasure Chest	Kingston	Pilot Program Site
Boardwalk Gaming Centre	Barrie	Pilot Program Site
Boardwalk Gaming Centre – Val Caron	Sudbury	August 28, 2012
Community Spirit	Kingston	September 18, 2012
Boardwalk Gaming Centre	Penetanguishene	October 9, 2012
Delta Bingo	Pickering	November 20, 2012
Paradise Gaming Centre	Windsor	Pilot Program Site
Breakaway Gaming Centre	Windsor	Pilot Program Site
Boardwalk Gaming Centre	Pembroke	February 26, 2013
Delta Bingo Niagara Falls	Niagara Falls	May 22, 2013
Delta Oakville	Oakville	June 18, 2013
Delta Bingo	Brampton	July 16, 2013
Rama Charitable Gaming Center	Mississauga	August 13, 2013
Cambridge Bingo	Cambridge	September 10, 2013
Bingo World GTA	Newmarket	October 9, 2013
Bingo Country	St. Thomas	December 4, 2013
Golden Nugget	Fort Erie	January 29, 2014
Long Sault Bingo	Hawkesbury	Mar 19, 2014
Main Street Bingo	Welland	April 16, 2014
Chances	Leamington	May 14, 2014
Delta St. Clair	Toronto	June 18, 2014
Riverview Bingo	Chatham	August 6, 2014
Delta Uncle Sam's	Fort Erie	October 8, 2014
Chances	Simcoe	November 5, 2014
Superior Shores Gaming Centre	Thunder Bay	December 17, 2014
Timmins City Bingo	Timmins	February 4, 2014
Delta St. Catharines	St. Catharines	March 25, 2014

SHIFTING AGCO'S REGULATORY STRATEGY

Since 2007, the AGCO has been shifting towards a regulatory strategy which is risk-based, outcomes-based and compliance-focused, rather than focusing solely on enforcement after an infraction has been committed. The following programs form a multi-pronged approach to support this strategy:

- Risk-based enforcement – The AGCO focuses more resources on those licensed establishments with a higher risk profile and/or previous compliance issues
- Risk-based licensing and risk-based registration – Applications for liquor sales licences and gaming registrations are reviewed and assessed with a view to identifying and mitigating risks, including the use of conditions, where appropriate
- Monetary penalties – An administrative sanction where a licensee or registrant pays a certain amount as a consequence of a breach of the LLA or *Gaming Control Act, 1992* (GCA), and where a more severe sanction is not warranted under the circumstances; and
- Public Affairs educational programs – To assist licensees and registrants to remain compliant with the law (see Public Affairs Initiatives for Licensees and Registrants on page 30)

ALCOHOL

The AGCO's Investigation and Enforcement Bureau (IEB) continues to build on the successes of risk-based enforcement (RBE) methodologies to modernize province-wide compliance focused programming. The 2014/15 fiscal year was a period of strategic collaboration that included strengthening existing relationships with policing partners, providing meaningful external stakeholder education and engagement, and fostering a revitalized relationship with Toronto Municipal Licensing and Standards. These efforts continue to assist licensees achieve a greater level of compliance with all laws. The IEB has also enhanced its analytical capacity through the recently implemented Research Advisor role that is engaged in ongoing program development and improvement.

The IEB's Inspection and Investigation Branch conducted more than 25,000 inspections of licensed premises and continued to measure an improvement in licensee compliance across the province. In 2014/15 approximately 8,350 contraventions of Ontario's liquor laws were cited during inspections – this figure represents a reduction of more than 15% over the past two years. Additionally, there has been a reduction of more than 25% in the number of infractions forwarded to the Deputy Registrar's Review process, which is the accountability framework that handles the most serious contraventions noted during inspections.

Where evidence exists to support allegations of breaches of the LLA and its Regulations by a licensee, the Registrar may impose an administrative sanction, which can include a warning letter, monetary penalty, suspension or revocation of the licence.

TABLE 8 NOTICES OF PROPOSAL AND ORDERS OF MONETARY PENALTY (ALCOHOL)

	2013/14	2014/15
Notices of Proposal • Applications (new, change, transfer) • Disciplinary (suspend and/or add conditions, revoke) • Premises closed (revoke licence) • Other	556	469
Orders of Monetary Penalty	237	231

TABLE 9 ALCOHOL ADVERTISING COMPLAINTS REVIEWED

	2013/14	2014/15
Alcohol advertising complaints reviewed	1	8

Several initiatives, described below, promote public safety and support licensees and permit holders in achieving compliance.

Strategic Partnerships with Municipalities and Law Enforcement Agencies
The IEB prides itself on the relationships it fosters with external regulatory and policing agencies. Working collaboratively and with increasingly sophisticated coordination, these partnerships promote compliance with Ontario's liquor laws and provide insight into potential risks to public safety. In 2014/15 more than 1,800 joint inspections were completed by AGCO Inspectors partnered with police officers.

IEB has a long history of working in partnership with local municipal licensing and standards (MLS) divisions/agencies. Since the summer of 2014, Toronto MLS and the AGCO have redoubled efforts to identify establishments that pose the greatest risk to communities and to coordinate methodologies to bring these entities into compliance with municipal and provincial laws. Convictions of Toronto's municipal bylaws are now entered into AGCO databases. This has enhanced the AGCO's ability to determine whether a licensee is operating lawfully and within the public interest. This type of information sharing also supports better decision making at both the provincial and municipal levels. The AGCO's Inspection and Investigation Branch and Toronto MLS regularly partner during fieldwork operations and conduct meetings to discuss opportunities for program innovation.

Strategic Actions for Effective Results (SAFER)
The Bureau initiated the SAFER program in 2014 to enhance the Risk Based Enforcement strategy, and to address problematic licensees that are habitually non-compliant. With an emphasis on enforcement to instill compliance or ultimately a revocation of non-compliant licensees, SAFER is the embodiment of the collaboration between IEB, Licensing and Registration Branch, and AGCO Legal Branch to enhance public safety in liquor licensed establishments.

Best Bar None

Best Bar None (BBN) is an industry-led annual international accreditation and awards program for liquor sales licensees which is offered in Ontario. The BBN Ontario pilot program, coordinated by the Ontario Restaurant Hotel & Motel Association and supported by AGCO, is offered for licensees in Toronto's downtown core and in the ByWard Market in Ottawa. All licensees in these areas are encouraged to participate.

Under the program, liquor sales licensees in these areas can apply for accreditation, demonstrating to their communities, patrons and fellow licensees that they have implemented industry best practices. This promotes strong relationships among neighbours, community police organizations, regulators and other stakeholders.

The initiative comprises a diverse group of organizations who have the common goal of improving and rewarding responsible liquor service and operational excellence. It is sponsored by Ontario's wine, spirits and beer manufacturers and socially-responsible interested parties as part of their commitment to encouraging responsible drinking. The program aptly complements the AGCO's continuing work with liquor sales licensees to help them remain compliant with Ontario's liquor laws and improve public safety.

Now in its third year, BBN Ontario has accredited a total of 89 establishments with accreditation.

The 2014/2015 ceremonies for the Best Bar None Awards were held in Toronto and Ottawa and AGCO Board and Staff members attended both ceremonies. Select accredited venues received special awards in a variety of categories, such as best bar/lounge, best club, best pub or best restaurant.

BBN is a partnership program that began in Britain in 2003 and was first introduced to Canada in Calgary and Edmonton with interest expanding elsewhere throughout North America.

Open Ontario Compliance Initiative

Promoting Ontario's Open for Business practices, the Open Ontario Compliance Initiative (OOCI) pilot project launched in December 2012. Led by the Ministry of Community Safety and Correctional Services, the fieldwork phase of the OOCI operated for 6 months beginning in April 2013. This London, Ontario-based pilot focused on collaborative risk-based compliance inspections of business entities – including licensed establishments and registered premises – by provincial, county and municipal regulatory agencies.

The OOCI was not an "inspection blitz" but rather provided a practical environment to operationalize the research and best practices outlined in the provincial Regulator's Code of Practice. The focus was learning how intelligent collaboration amongst regulators can achieve greater overall compliance while reducing burdensome inspection processes for compliant entities. Lessons learned from the pilot are helping the IEB build strategic relationships with regulatory agencies across Ontario.

Last Drink Program

The Last Drink Program endeavors to improve public safety and reduce impaired driving on Ontario's roadways. Under this program, police services inform the AGCO of alcohol related driving infractions where drivers name a licensed establishment as the location where they last consumed alcohol. This information results in an inspection by an AGCO Inspector who will provide the licensee with guidance concerning meeting their regulatory obligations.

During 2014/15, the AGCO received more than 450 police reports from across the province that related to the Last Drink Program. Presently, all OPP detachments and 28 municipal policing services are participating in this program.

Award for Outstanding Liquor Enforcement

The Ontario Association of Chiefs of Police (OACP) presents annual awards relating to liquor enforcement. These awards are presented annually to two police agencies – one with more than 500 employees and one with fewer than 500 employees – which demonstrate excellence and innovation in liquor enforcement. The 2014 "OACP Outstanding Liquor Enforcement Award – Over 500" was presented to Toronto Police Service and the 2014 "OACP Outstanding Liquor Enforcement Award – Under 500" was presented to the Greater Sudbury Police Service. Both of these awards are sponsored by the AGCO.

In addition, the 2014 recipient of the "OACP outstanding Liquor Enforcement Award – Certificate of Merit" was Waterloo Regional Police Service.

Smart Serve Ontario sponsors the "OACP Responsible Alcohol Service at Licensed Establishments of the Year Award." This award recognizes an Ontario Police Service that undertook a community outreach approach to proactively encourage responsible alcohol service at licensed establishments in their jurisdiction, thereby helping promote a safer, healthier Ontario. The 2014 recipient was Greater Sudbury Police Service.

Community Alcohol Safety and Enforcement Program

The Community Alcohol Safety and Enforcement Program (CASE) is a partnership between the AGCO and the Ontario Association of Chiefs of Police that is best known for its biannual operations within college and university communities. During these high-profile campaigns, police officers throughout the province partner with AGCO Inspectors and OPP members to inspect establishments that cater to post-secondary students returning to school, and promote the responsible sale and service of liquor throughout the year.

Additionally, the IEB provides ongoing guidance and support to front-line police officers throughout the province with regard to the enforcement of Ontario's liquor laws. This mandate is achieved through in-person seminars and the distribution of educational brochures summarizing police powers and the laws governing licensees and permit holders.

GAMING

Gaming Registrations

Where there is evidence that a commercial gaming registrant has breached the GCA, the Registrar may impose an administrative sanction where appropriate. This may include a monetary penalty, or a proposal to suspend or revoke a registration.

TABLE 10 ORDERS OF MONETARY PENALTY AND NOTICES OF PROPOSED ORDER ISSUED TO REGISTRANTS IN CASINOS AND SLOT MACHINE FACILITIES

	2013/14	2014/15
Orders of Monetary Penalty	0	4
Notices of Proposed Order	11	23

AGCO Audits of Casinos and Slot Machine Facilities

The AGCO's Audit and Compliance Branch conducts compliance inspections and audits at casinos and slot machine facilities, both scheduled and ad hoc, to ensure compliance with the GCA, LLA, Rules of Play, approved policies, terms and conditions of registrations, and anti-money laundering and terrorist financing measures. The Branch also approves and monitors applicable internal control measures, and surveillance and security policies and procedures, to help protect honesty, integrity and the public confidence in casino operations in Ontario. The AGCO also investigates and responds to complaints that pertain to regulatory issues at individual gaming sites.

The AGCO has adopted and implemented a risk-based audit approach that will continue to enhance the effectiveness of audit engagement by allowing gaming facilities to be assessed individually for risk. A multi-phase, industry-wide risk assessment was undertaken and completed in order to identify the necessary risk indicators that have informed the individual site-specific risk profiles. In 2014/15, Audit and Compliance Branch conducted 13 audits. The AGCO works with the casino sites on developing action plans to address issues identified through the audit process, and monitors completion of the plans. In addition, follow up audits may be conducted to assess the progress of action plans and the effectiveness of remedial actions undertaken.

In 2014/15, the Audit and Compliance Branch carried out 2,315 gaming-related inspections and 51 liquor inspections. Any findings noted during gaming and liquor related inspections (including non-compliance issues that are either self-reported or discovered by AGCO Compliance Inspectors) are indicated on a Corrective Action Report (CAR). A number of CARs relate to internal control procedural errors and are resolved at the time of the incident. When areas of non-compliance are identified, the department works proactively with gaming sites to address the concerns. Occasionally, for very serious breaches, administrative action is pursued. In 2014/15, 668 gaming-related CARs and 27 liquor-related CARs were created.

Ontario Gaming Facility Audits of Ontario Gaming Facilities
As part of the AGCO's overall approach to working collaboratively with other government agencies, the AGCO worked closely with the Financial Transaction and Reports Analysis Centre of Canada (FINTRAC) to help combat money laundering and terrorist financing at gaming facilities. An MOU was signed between both parties in 2004. The collaboration between the organizations continues to be refined and enhanced in an effort to develop stronger communication channels, sharing of information in appropriate circumstances and to assist both the AGCO and FINTRAC in meeting their regulatory mandates.

In carrying out an audit at a commercial gaming facility, the AGCO auditor focuses on the site's compliance with its Internal Control Manual to ensure that it fulfills the requirements under the GCA, the Proceeds of Crime (Money Laundering) and *Terrorist Financing Act, 2001*, and all of the related regulations. In 2014/15, eight audits were conducted at Ontario's gaming facilities. The AGCO works with the gaming facilities to develop plans to address any issues raised through the audit process, and monitors completion of the plans. Follow up audits may be conducted to ensure plans are implemented and effective.

Casino Enforcement Units
The Casino Enforcement Units (CEU) consists of Police Officers from the OPP that are fully integrated into the AGCO. Each unit comprises members specially trained to conduct regulatory and criminal investigations in order to respond effectively to any threats to the integrity of the industry. The specialized training ranges from game protection and intelligence gathering to anti-money laundering.

The primary responsibility of the units is criminal activity and to provide 24/7 first response policing within the gaming sites to protect the integrity and viability of the gaming industry.

The units also provide a comprehensive intelligence role, gathering information on any and all criminal organizations and activity within the industry and ensuring it is disseminated to proper regulatory and law enforcement partners throughout the world.

The units perform regulatory functions such as conducting eligibility assessments on individuals and companies seeking registration to conduct business with Ontario and liaising with internal stakeholders such as AGCO's Audit & Gaming Compliance Branch as required to support the standards-based approach.

Occurrences at Casinos and Slot Machine Facilities
During 2014/15, the CEU responded to approximately 6,372 occurrences at casinos and slot machine facilities. Of these, 1,482 were Criminal Code (the Code) offences, including 160 alleged incidents of cheat-at-play (45 cheat-at-play charges laid). Other Code related occurrences include fraud, theft and assault investigations. There were a total of 1,542 other calls for police assistance, including calls for medical emergencies, police information and abandoned children.

There were an additional 4,890 non-Criminal Code related occurrences. These occurrences could involve any provincial statute investigation or violation, including the LLA, *Trespass to Property Act*, and *Mental Health Act*. Other examples could include a suspicious-person investigation that may not necessarily fall into any specific offence category, missing persons investigations, as well as assistance to other police agencies. This could include assistance with intelligence gathering, requests for information or general inquiries/assistance for an outside investigation.

The 4,890 occurrences noted previously are in addition to assisting local police with non-gaming related investigations. Only those events that result in a report being filed are considered to be reportable occurrences by the AGCO's Investigation and Enforcement Bureau.

OLG LOTTERIES

Compliance Inspections

During 2014/15, AGCO Inspectors conducted 11,389 Lottery Compliance Inspections at registered lottery retailer locations. As a result, 2,050 infractions were cited and 1,120 warnings issued. Educating retailers on compliance and their responsibilities as registrants under the GCA is a key component of the overall inspection process.

Where a seller of OLG lottery products has breached the GCA, the Registrar may impose an administrative sanction, including a monetary penalty, or a suspension or a revocation of the registration.

TABLE 11 ORDERS OF MONETARY PENALTY AND NOTICES OF PROPOSED ORDER ISSUED TO SELLERS OF OLG LOTTERY PRODUCTS

	2013/14	2014/15
Orders of Monetary Penalty	12	20
Notices of Proposed Order	32	21

Audits of OLG Lotteries

The AGCO approves and monitors applicable internal control measures, security policies and procedures to protect the honesty and integrity of lottery operations, thus ensuring continued public confidence in lottery operations in Ontario.

AGCO Auditors conduct OLG lottery audits to ensure that the OLG fulfils its requirements under the GCA and all other related regulations. In 2014/15, 4 lottery audits were conducted. The AGCO works with the OLG lottery business units and lottery suppliers on developing action plans to address issues identified through the audit process, and monitors completion of the plans. In addition, follow up audits may be conducted to assess the progress of action plans and the effectiveness of remedial actions undertaken. In 2014/15, Gaming Compliance conducted 41 lottery inspections.

The IEB continues to investigate lottery insider (retailers and/or related party) and suspicious wins. OLG screens all prize claims $10,000 and above to determine if the claimant is an "insider." Insider claims are then forwarded to the IEB for investigation. Insider wins involving non-registrant "related parties" (e.g. the spouse or immediate relative of a retailer who shares the same address as retailer) are referred to an independent, third party investigator firm.

The OPP investigate insider wins from:

- Retailers of OLG Lottery products and all registrants including employees of the retailers who are involved with the sale and redemption of lottery products
- Key OLG personnel with significant decision-making authority; and
- Other registrants (suppliers, manufacturers) under the GCA

During 2014/15, the OPP completed 273 lottery-related investigations, comprising 37 insider wins over $10,000, 54 suspicious wins, and 182 various complaints about possible unlawful or suspicious activity.

CHARITABLE GAMING

AGCO Inspectors are trained to conduct inspections at Break Open Ticket (BOT) seller locations across Ontario, and have also been cross-trained to inspect bingo facilities to ensure compliance with the GCA. In 2014/15, more than 2,550 BOT and traditional bingo hall inspections were conducted by AGCO Inspectors.

Where there is evidence that a charitable gaming registrant has breached the GCA, the Registrar may impose an administrative sanction where appropriate. This may include a monetary penalty, a suspension of the registration or a revocation of the registration.

TABLE 12 ORDERS OF MONETARY PENALTY AND NOTICES OF PROPOSED ORDER ISSUED TO CHARITABLE GAMING REGISTRANTS

	2013/14	2014/15
Orders of Monetary Penalty	0	1
Notices of Proposed Order	10	1

Audits of OLG cGaming

The AGCO has developed and implemented a risk-based audit approach to conduct regulatory assurance activities that enhance the effectiveness of audit engagement and ensure ongoing compliance with the Registrar's Standards for Gaming, December 2014. In 2014/15, regulatory assurance audits were conducted for two cGaming sites. The AGCO works with the OLG cGaming business unit and cGaming sites on developing action plans to address issues identified through the audit process, and monitors completion of the plans. In addition, follow up audits may be conducted to assess the progress of action plans and the effectiveness of remedial actions undertaken. In 2014/15, Gaming Compliance Branch conducted 309 cGaming inspections.

IGAMING

Audits of iGaming

On December 4, 2014 the OLG launched PlayOLG.ca, accessible only to eligible OLG Winner's Circle Reward members. On January 8, 2015 PlayOLG.ca was opened to the Ontario public. AGCO continues to conduct regulatory assurance activities to ensure ongoing compliance with the Registrar's Standards for Gaming. Regulatory assurance activities include, but are not limited to, review of incident notifications, examination of data indicators, and approval of system upgrades. Starting in 2015/16, AGCO will be conducting audits of various iGaming processes.

ELECTRONIC RAFFLES

Audits of Electronic Raffles

In 2014/15, OLG contracted with two primary charities to conduct a pilot of the 50/50 electronic raffle scheme. AGCO Auditors conduct audits to ensure that the OLG fulfils their requirements under OLG's Electronic Raffle Standards, Policies and Procedures, Charitable Gaming. In 2014/2015, two audits were conducted for the two pilot sites. The AGCO works with the OLG 50/50 Electronic Raffle business units and the primary charities to develop action plans to address issues identified through the audit process, and monitors completion of the plans. In addition, follow up audits may be conducted to assess the progress of action plans and the effectiveness of remedial actions undertaken. In 2014/15, Gaming Compliance Branch conducted 17 inspections.

HEARINGS, APPEALS, DISPUTE RESOLUTION AND SETTLEMENTS

The Licence Appeal Tribunal (LAT) is responsible for adjudicating appeals regarding compensation claims and licensing decisions made by different regulators. If a person who receives a Notice of Proposal about a liquor matter, a Notice of Proposed Order about a gaming matter or is assessed an Order of Monetary Penalty from the Registrar of Alcohol and Gaming and wishes to request a hearing, it will be held by LAT.

LAT hearings are related to:

- Proposed actions by the Registrar under the LLA and GCA
- Registrar's refusal to licence or register under the LLA and GCA
- Compliance order hearings and hearings on the wine authority's refusal to grant an approval or suspend, revoke or refuse to renew an approval to use the terms, descriptions and designations established by the wine authority under the *Vintners Quality Alliance Act, 1999*
- Public interest to determine eligibility for liquor licensed premises, additions to liquor licensed premises or revocation of liquor licensed premises where the public files objections in response to a public notice advising of the request for a licence or an amendment thereof; and
- Conducting appeals of orders of monetary penalties imposed by the Registrar

The following settlements were reached without a LAT hearing:

TABLE 13 ALCOHOL-RELATED SETTLEMENTS WITHOUT A HEARING*

	2013/14	2014/15
Number of Settlements agreed to without a hearing (Notice of Proposed Orders and Orders of Monetary Penalty)	293	276

* These settlements are negotiated by the AGCO's Legal Services Division, based on instructions from the Registrar of Alcohol and Gaming.

TABLE 14 ALCOHOL-RELATED PUBLIC MEETING CONFERENCE CALLS**

	2013/14	2014/15
Number of Public Meeting Conference Calls	29	18

** This is an alternative dispute resolution process.

TABLE 15 GAMING-RELATED SETTLEMENTS WITHOUT A HEARING***

	2013/14	2014/15
Number of Settlements agreed to without a hearing (Notice of Proposed Orders and Orders of Monetary Penalty)	23	35

*** These settlements are negotiated by the AGCO's Legal Services Division, based on instructions from the Registrar.

Appendix I

59 Legal framework – Alcohol

LEGAL FRAMEWORK – ALCOHOL

Liquor Licence Act

The *Liquor Licence Act* (LLA) establishes the licensing and regulatory regime for the sale and service of beverage alcohol in Ontario, except for retail sale to the public by the Liquor Control Board of Ontario (LCBO).

Various classes of licences and permits are established including:

- Licence to sell beverage alcohol
- Licence for ferment-on-premise facilities
- Licence for liquor delivery service
- Manufacturer's licence
- Licence to represent a manufacturer of beverage alcohol; and
- Special occasion permits for the sale and service of beverage alcohol on special occasions (for example, cash bars at fundraising events, weddings and receptions)

The LLA and regulations also establish the rules for sale and service of beverage alcohol, including:

- No sale or service to persons under the age of 19
- No sale or service to persons who appear to be intoxicated
- No sale of beverage alcohol before 11 a.m. or after 2 a.m. (unless otherwise stipulated);
- No sale of illegal beverage alcohol; and
- Where beverage alcohol may be consumed (residence, licensed premises and private place)

The LLA and regulations provide for an inspection and enforcement regime to ensure that licensees and permit holders are in compliance with the law and regulations relating to the sale and service of beverage alcohol.

Sale of VQA Wine at Farmers' Markets

On December 16, 2013, the Ontario government announced that VQA wine would be sold at Farmers' Markets in Ontario. Subsequently, the new regulation under the LLA was made on March 26, 2014 that amended Ontario Regulation 720 in respect of manufacturers' licences. The amendment permits manufacturers operating an on-site winery retail store under authorization from the Registrar of Alcohol and Gaming to sell their wine at qualifying Farmers' Markets subject to conditions in the regulations. Other conditions in respect of sales at Farmers' Markets are imposed by the Registrar on the retail store authorizations. The amendment to the regulation came into effect on May 1, 2014.

***Liquor Control Act* [Section 3(1)b, e, f, g and 3(2)a]**
Effective July 3, 2001, the AGCO assumed responsibility from the LCBO for the following:

- To control the delivery of liquor to the public;
- To authorize manufacturers of beer and spirits and wineries that manufacture Ontario wine to sell their spirits, beer or Ontario wine in stores owned and operated by the manufacturer or winery and to authorize The Beer Store to operate stores for the sale of beer to the public;
- To control and supervise the marketing methods and procedures in stores owned and operated by manufacturers and wineries;
- To determine, subject to the LLA, the municipalities within which stores owned and operated by manufacturers and wineries referred to in point 2 above shall be established or authorized and the location of such stores in municipalities;
- To establish conditions, subject to any regulation, with respect to authorizations for stores owned and operated by manufacturers and wineries referred to in point 2 above; and
- To establish conditions, subject to any regulations, with respect to authorizations granted with respect to the delivery of liquor to the public.

Wine Content and Labelling Act, 2000
The *Wine Content and Labelling Act, 2000* specifies that an Ontario winery may manufacture and sell wine in the province using imported grape or grape products. If an Ontario winery uses imported grapes or grape products in manufacturing it may keep for sale or sell the wine to, or under the control of, the Liquor Control Board of Ontario.

Changes to the Schedule of Monetary Penalties for Infractions under the *Liquor Licence Act* and Regulations
Changes to the Schedule of monetary penalties, made pursuant to section 14.1 of the *Alcohol and Gaming Regulation and Public Protection Act, 1996*, were established by the Board and approved by the Attorney General of Ontario to take effect on February 3, 2014. The changes increase the existing maximum penalties and expand the number of infractions that are eligible for monetary penalties. For example, monetary penalties are now available for selling or supplying liquor or permitting liquor to be sold or supplied to any person who is or appears to be intoxicated (penalty of up to $15,000) and knowingly permitting a person under 19 years of age to have or consume liquor in the licensed premises (penalty of up to $20,000).

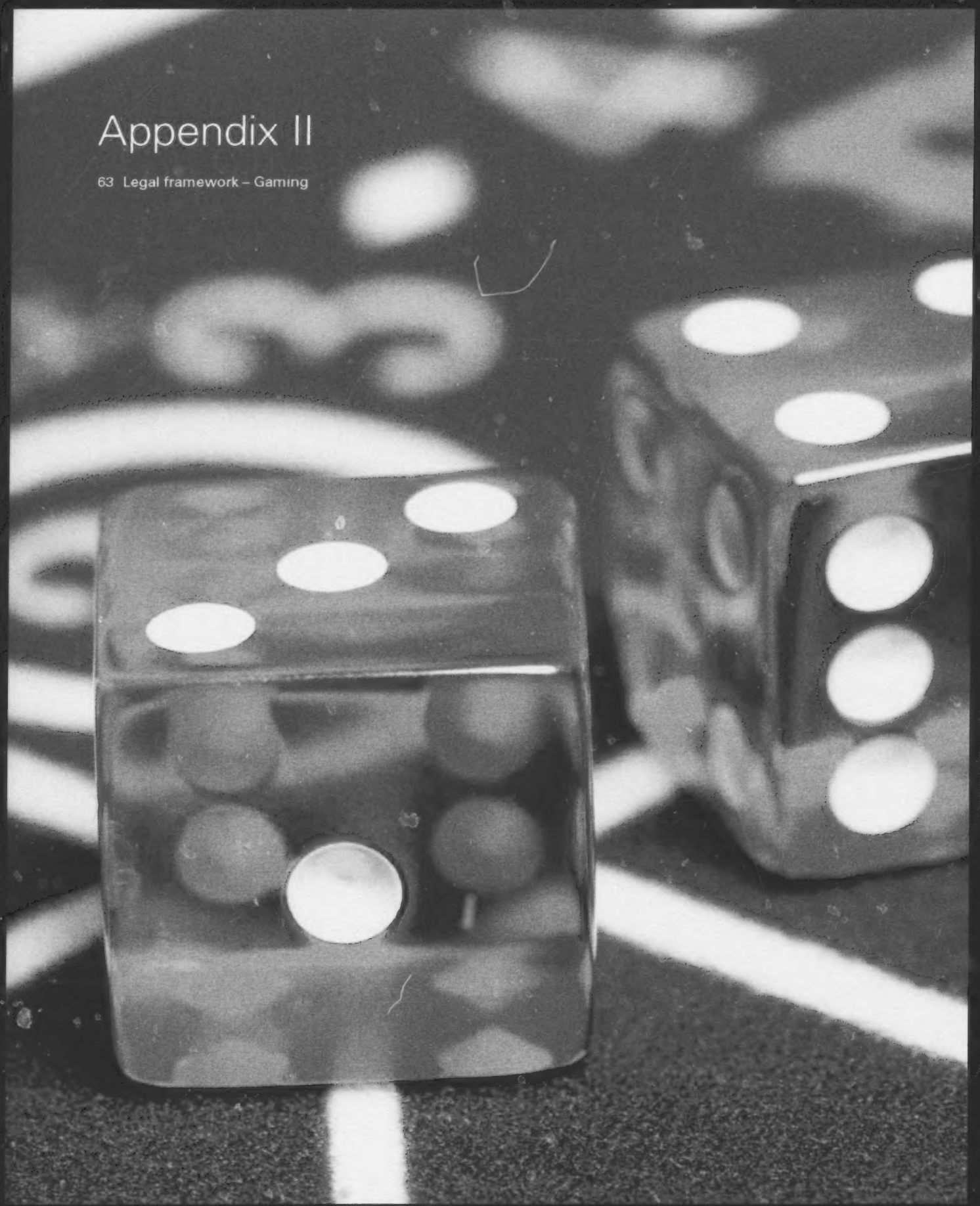
Regulatory Modernization in Ontario's Beverage Alcohol Industry

As part of the AGCO's comprehensive review of its approach to the regulation of manufacturers, manufacturers' representatives, ferment-on-premise operators, and liquor delivery services, the Registrar of Alcohol and Gaming approved an initial series of policy reforms, including the following four reforms which took effect September 15, 2014.

1. **Partition Requirements at Ferment-On-Premise Facilities**
   The partition requirement for "other in-store services" at ferment-on-premise facilities will be modified so that a floor-to-ceiling wall is no longer required to separate the "other in-store service" (i.e. coffee shops, filtered water sales, etc.) from the ferment-on-premise operation. Other liquor licensed areas, however, will continue to require such a separation.
2. **Advance Ordering Rules for Liquor Delivery Services**
   Liquor delivery services will be permitted to accept orders from customers prior to the day on which the alcohol will be delivered, so long as the alcohol is not purchased until the delivery date.
3. **On-Site Retail Store Authorizations for Wineries**
   Ontario wineries that include International-Canadian Blend (ICB) wines as part of their total production mix will now be eligible to operate an on-site retail store for the purpose of selling their Ontario wine.
4. **Payment Terms for Manufacturers and Manufacturers' Representatives**
   Licensed manufacturers and manufacturers' representatives will be permitted to extend payment terms up to a maximum of 30 days in order to provide greater flexibility and better reflect standard business practices.

Appendix II

63 Legal framework – Gaming



LEGAL FRAMEWORK – GAMING

Criminal Code of Canada

The Criminal Code of Canada (the Code) establishes what types of gaming activities are legal, and the provinces are assigned responsibility for operating, licensing and regulating legal forms of gaming.

Part VII of the Code prohibits gaming in general, while Section 207 (1) allows for a number of exceptions to the general prohibition. Specifically, it permits lottery schemes provided that they are:

- Conducted and managed by the province or by an agent of the Province, which in Ontario is the Ontario Lottery and Gaming Corporation;
- Conducted and managed by a licensed charitable or religious organization provided that the proceeds of the lottery scheme are used for a charitable or religious purpose; and
- Conducted and managed by a licensed board of a fair or exhibition or by an operator of a concession leased by that board or by a person at a public place of amusement where the prizes and wagers are limited to small amounts set out in the Code.

"Lottery schemes" are broadly defined under the Code but exclude a number of specific schemes, including single sports events, thereby making betting or wagering on such schemes illegal in Canada, and pari-mutuel betting on races, which is permitted for horse racing elsewhere in the Code. The definition also effectively reserves the conduct and management of lottery schemes using electronic devices or computers to the Provinces or their agents, subject to a recently exception. In December 2014, the Code was amended to allow the use of computers for the sale of a ticket, selection of a winner or the distribution of a prize in a raffle, including a 50/50 draw, if the raffle is conducted and managed by a charitable or religious organization in accordance with other requirements in the Code. In consultation with stakeholders, the AGCO will be developing standards and requirements in respect of the use of computers for raffles. (Sec. 207(4)).

Gaming Control Act, 1992

The *Gaming Control Act, 1992* (GCA) provides for the regulation of gaming operations, suppliers and gaming assistants/employees of casinos, slot machine facilities, charitable gaming events, and registration of OLG lottery retailers, lottery retailer managers, and lottery suppliers.

Ontario Regulation 78/12 applies to all the gaming sectors under the AGCO's responsibility (i.e. charitable gaming, casinos, slot machine facilities and lotteries conducted and managed by the OLG, as well as the new internet and electronic charitable gaming products that are being developed by OLG).

Registrar's Standards for Gaming

In April 2013, the Registrar of Alcohol and Gaming established new standards and requirements for application to casino gaming, charitable gaming sites conducted and managed by the Ontario Lottery and Gaming Corporation and internet gaming. The Registrar's Standards for Gaming were revised slightly in November 2013.

The Registrar's Standards are a foundational piece in the AGCO's modernization of gaming regulation and its transition away from a "command and control" regulatory approach to a standards-based regulatory model. The objective of a standards-based model is to shift the focus from requiring registrants to comply with a specific set of rules or processes, which tend to be prescriptive in nature, towards the broader regulatory outcomes or objectives they are expected to achieve.

The introduction of the Registrar's Standards flows from statutory and regulatory amendments to the *Gaming Control Act, 1992* in June 2012. These amendments were introduced to modernize gaming and allow a more risk-based approach to regulation of Ontario's gaming sector. Specifically, the changes provided the Registrar with the authority to put in place risk-based standards to address various key areas of regulatory concern, such as surveillance, security, access to gaming sites, protection of players and responsible gambling.

Moving forward, the Registrar's Standards will replace the prescriptive, rules-based approach taken in the previous regulations. The new standards were drafted at a high level of generality so as to capture the purpose behind the rules. This offers greater flexibility to regulated entities to design their own control environments and determine the most efficient and effective way of fulfilling their regulatory obligations, while at the same time ensuring that the integrity of gaming is preserved. Ultimately, the goal is to strengthen regulatory outcomes in a way that does not unnecessarily burden regulated entities.

Other benefits of a standards-based approach to gaming regulation include:

- Increased efficiencies for gaming operators to respond to changing market conditions
- Strong proactive compliance culture and monitoring of performance by gaming operators against their own controls; and
- A more effective regulatory structure that is geared to the achievement of results or outcomes and regulatory oversight focusing on high impact areas of concern

The Registrar's Standards were developed based upon a comprehensive risk assessment conducted in consultation with key gaming industry stakeholders, including the OLG, public interest groups, operators of casinos and charitable gaming sites and other governmental partners. Risk assessments will be conducted periodically to ensure that the standards continue to be relevant, and that the highest standards of integrity for gaming in Ontario are maintained.

Implementation of the Registrar's Standards will be phased in across all applicable gaming sectors over a period of time. A comprehensive implementation plan will be developed in collaboration with OLG and operators in order to facilitate a smooth transition to the standards-based model and to preserve the integrity of and public confidence in gaming in Ontario.

The AGCO will support regulated entities in achieving regulatory outcomes by broadening its approach to one of support for registrant compliance with regulatory obligations. The AGCO will provide that support through the effective use of a broader range of regulatory tools that will allow it to do more than enforce regulatory obligations. The AGCO's regulatory assurance activities will be both proactive and reactive in nature and will include education, assessments, inspections, investigations, audits, equipment testing, as well as reliance on internal or external audits or attestations, among other things.

In the event that a registrant fails to comply with its regulatory obligations, the AGCO will continue to have a number of compliance and enforcement tools at its disposal, including warning letters, the imposition of enhanced regulatory assurance activities, additional requirements or terms of registration, monetary penalties and, in cases of material or ongoing instances of non-compliance, suspensions or revocations of registration.

Ultimately, the regulatory framework is designed to provide regulated entities with maximum flexibility, while still continuing to ensure the highest levels of integrity within the gaming industry.

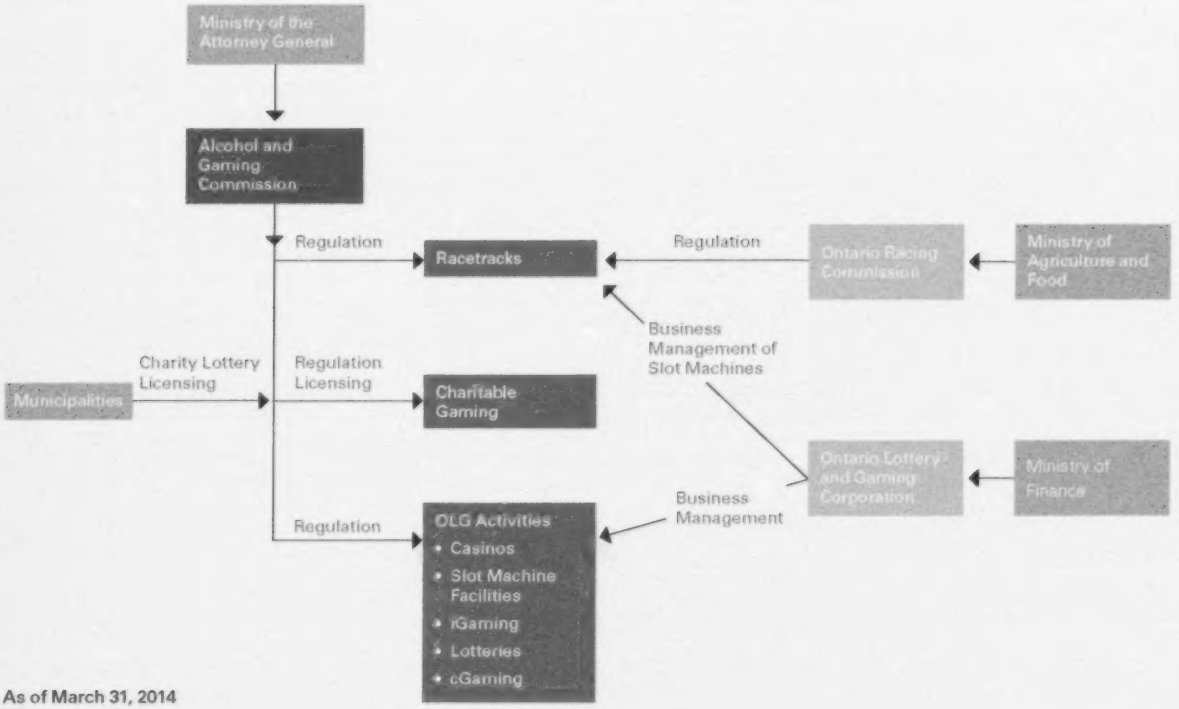
Changes in Gaming Registration Fees

On January 1, 2015, the Alcohol and Gaming Commission of Ontario (AGCO) introduced a new fee schedule that applies to registrations in all areas of Ontario's gaming industry, including casinos, charitable gaming, OLG lotteries and internet gaming. The fee schedule is intended to complement earlier regulatory changes from 2012 and affirms the AGCO's ongoing commitment to modernize our regulatory approach and create a more user-friendly and streamlined registration process.

The new fee schedule has been established following discussions with the AGCO's stakeholders and aims to:

- Achieve greater equity by ensuring that individuals and businesses that fall within the same class of registration pay the same fee
- Simplify the registration process so that all registrants are now only required to obtain – and pay for – a single registration; and
- Create greater freedom and flexibility by allowing registrants to work in or supply services to all parts of the gaming industry with a single registration

FIGURE 4 – ONTARIO GAMING RELATIONSHIPS



As of March 31, 2014

Order-in-Council 1413/08

Order-in-Council 1413/08 (OIC) clarifies the rules and responsibilities of the AGCO and municipalities in lottery licensing. Additional changes were made to take into account the new bingo revenue model. The OIC provides that charitable organizations may be licensed to conduct and manage lottery events by either the Registrar appointed under the *Gaming Control Act, 1992* or, depending on the type of charitable gaming event and the value of prizes to be awarded, by a municipal council. The OIC outlines terms and conditions that apply to lottery licences. The OIC also provides that the Registrar may attach additional terms and conditions to any licences he or she issues, and that municipal councils may attach terms and conditions to licences they issue provided they do not conflict with those of the Registrar. A number of First Nations have been designated by OIC to issue lottery licences for charitable organizations.

In order to qualify for a lottery licence, an organization must have a "charitable object or purpose." Charitable object or purpose is defined at common law and under the OIC as any object or purpose relating to:

- The relief of poverty
- The advancement of education
- The advancement of religion; or
- Any other purpose beneficial to the community

First Nations Lottery Licensing

In 1998, the government approved a First Nations lottery licensing framework, which delegates authority comparable to that of municipalities to individual First Nations. An Order-in-Council (OIC) is issued to each participating First Nation. The OIC provides First Nations with authority to issue licences to religious and charitable organizations to conduct lottery schemes.